INTRODUCTION

Title I of the National Affordable Housing Act (NAHA) of 1990 established the requirement that states and local governments that apply for direct assistance under certain HUD programs have a Consolidated Plan that has been approved by HUD.

The federal requirements call for a five-year Consolidated Plan with annual updates. The Consolidated Plan is a comprehensive planning document that identifies the State's overall needs for affordable and supportive housing and outlines a strategy to address those needs. NAHA requires each state, in its Consolidated Plan, to describe its housing needs and market conditions, set out a five-year strategy that establishes priorities for meeting those needs, identify resources anticipated to be available for the provision of affordable and supportive housing, and establish a one-year investment plan that outlines the intended uses of resources. This document is the Annual Action Plan for California Program Year 2003-2004 (July 1, 2003 to June 30, 2004).

This Annual Action Plan includes an Annual Housing Plan, an Annual Non-Housing Community Development Plan, and the CDBG Statement of Uses. This Annual Housing Plan includes planned actions in Program Year 2003-2004 with regard to Public Policies, Institutional Structure, Low-Income Housing Tax Credits, Lead-Based Paint Hazard Reduction, Anti-Poverty Strategy, and Coordination. Certifications by the State of California that it will comply with federal statutes and HUD rules and regulations are also included.

A HUD-approved Consolidated Plan is required for the State government to receive federal funds under the federal programs listed below. These major formula grant programs are administered by the State of California and are therefore addressed most directly by this Annual Action Plan. This Annual Action Plan is submitted to HUD in application for funds for the following programs to be administered by the State of California in FY 2003-2004 in the following approximate amounts:

• Home Investment Partnerships Program (HOME)	$ 60,987,635
• Community Development Block Grant (State CDBG)	$ 50,828,000
• Housing Opportunities for Persons with AIDS (HOPWA)	$ 3,049,000
• Emergency Shelter Grants (ESG)	$ 5,746,000
• Lead-Based Paint Hazard Reduction Program	(continued funding)
Total	$120,610,635

In addition to the formula grant programs, the following programs are among other federal programs that require a Consolidated Plan that is certified by HUD that this Plan may be used for:

♦ Shelter Housing Program	♦ Supportive Plus Care	♦ Section 8 Moderate Rehab of SRO
♦ Supportive Housing for the Elderly	♦ Youthbuild	♦ Low-Income Hsg Preservation (202)
♦ Supportive Hsg for Persons with Disabilities	♦ HOPE 6	♦ Public Housing Agencies

To receive funding from HUD for any of the programs listed above, an applicant must include in its application a certification of consistency with a Consolidated Plan. Several other federal housing programs have Consolidated Plan-related requirements but do not require a certification of consistency with a Consolidated Plan. Governmental applicants for HUD's Lead-Based Paint Grant Program must have an approved Consolidated Plan. The John Heinz Neighborhood Development Program requires compliance with a jurisdiction's Consolidated Plan or community development plan submitted under section 104(m) of the Housing and Community Development Act of 1974. Section 515 of the Quality Housing and Work Responsibility Act of 1998 requires all Public Housing Agencies to submit to HUD a five-year and an annual plan. The plans must have a certification by the applicable State or local jurisdiction for consistency with the Consolidated Plan.

The State Consolidated Plan is used in administering funds that the State of California receives. It is also used if there is no HUD-approved local Consolidated Plan and the program requires that funded projects conform to a Consolidated Plan. The rule is that a project seeking federal assistance must be in conformance with the Consolidated Plan of the local jurisdiction; if the jurisdiction does not have a local Consolidated Plan or is not covered by a County's Consolidated Plan, the jurisdiction would be covered under the State's Consolidated Plan.

SUMMARY OF DRAFT ANNUAL ACTION PLAN UPDATE PROCESS

The California State Department of Housing and Community Development (HCD) has the lead role in preparing the Consolidated Plan and its annual update for the State of California. HCD solicits input from public, private, and nonprofit organizations, and other State agencies to prepare the Draft Annual Action Plan in accordance with the Citizen Participation Plan of the Five-Year plan.

HCD consulted with State agencies and other organizations in preparing the Draft Annual Action Plan, including direct solicitation of updated material during February and March 2003. Additionally, the staff that administers the federally funded programs covered by the Consolidated Plan consulted with interested parties in considering policies for their programs. These activities included use of advisory groups surveys and solicitations for consultation. The Summary of the Consultation Process and Citizen Participation Plan in the 2000-2005 Consolidated Plan provides additional details.

Consultation and citizen participation are both essential components of a statewide planning effort. The Citizen Participation Plan, as identified in the State Consolidated Plan 2000-2005, sets the policy for involving citizens in the decision-making, review and comment process for the Annual Action Plan Update. To encourage additional public input in the preparation of the Draft Annual Action Plan, public notices containing a description of the Draft Annual Action Plan update and related amendments, inviting comments, and announcing public hearings will be mailed directly to local governments and depository libraries, and placed on the Department's website. Notices were published in newspapers to notify the public of the Draft Annual Action Plan development process, timelines and participation options.

HUD requires states to hold a 30-day public review and comment period and at least two public hearings in advance of the preparation of a Draft Annual Action Plan for public review. HCD noticed a 30-day public comment period, April 1 – April 30, 2003 and held three public hearings at the following locations, City of Eureka on April 21st, City of San Diego on April 23rd, and City of Sacramento on April 25th. A copy of the notice listing the times and locations of the hearings is included.

Copies of the Draft Annual Action Plan 2003-2004, and the 2000-2005 Consolidated Plan were available for review at HCD's Resource Center, HCD's website www.hcd.ca.gov, at all county planning departments containing at least one non-entitlement jurisdiction and to the following public depository libraries:

California State Library, Government Publications (Sacramento)
California State University, Library-Government (Long Beach)
Public Library, Serials Division (Los Angeles)
Public Library, Science and Industry Department (San Diego)
Stanford University Libraries, Green Library, Government Docs
University of Cal., Shields Library, Government Documents (Davis)
University of Cal., Government Documents (San Diego/La Jolla)
California State University, Meriam Library (Chico)
Free Library, Government Publications (Fresno County)
Public Library (Oakland)
Public Library, Government Documents Department (SF)
University of California, Govm't Doc Library (Berkeley)
University of California, University Research Library (LA)
University of Cal., Library, Govm't Pubs (Santa Barbara)

I. ANNUAL HOUSING PLAN

A. HOUSING STRATEGY IMPLEMENTATION

The Annual Housing Plan section of the Consolidated Plan is required to include a one-year investment plan for the priorities established in the Five-Year Housing Strategy of the State's 2000-2005 Consolidated Plan. The time period covered in this Annual Housing Plan is the fourth planning year of the five-year strategy, which is from July 1, 2003 to June 30, 2004. This period is called California Program Year 2003-2004.

It is the policy of the State of California, in conjunction with all of the objectives listed below, to promote full utilization of federal housing programs on behalf of low-income households. In furtherance of this policy, whenever a finding of consistency with the State Consolidated Plan is a funding requirement for a local area application for federal funds, the State endorses all California applications for federal housing funding which are consistent with State and federal law and the applicable federal requirements of affected programs. This policy applies regardless of whether the State is an applicant for the program or not.

Goals for households to be assisted appear in the "Estimated Units" column in Table 1 (located in the "Specific Objectives" portion of this Draft Annual Housing Plan).

1. GEOGRAPHIC DISTRIBUTION

The eligible general geographic distributions of activities in Program Year 2003-2004 are the same as shown in the Geographic Distribution portion of the Five-Year Housing Strategy. Changes occur annually if jurisdictions join or withdraw from a CDBG urban county agreement or HOME consortium within a county. Eligible jurisdictions for the formula grant programs administered by the State are included in the Appendices of this Action Plan. The basis for this distribution is summarized below, and in the Appendices. Areas of minority concentration are identified during the application and annual reporting processes.

The State CDBG program eligible jurisdictions are cities and counties that do not receive direct funding from HUD as CDBG entitlement jurisdictions, and are listed in Appendix 5. Eligible HOME jurisdictions are cities and counties who do not receive a direct entitlement from HUD as a participating jurisdiction, are not members of a HOME consortium, nor a member of a urban county agreement in which HOME funds are distributed through the agreement. HOME also funds nonprofit organizations called Community Housing Development Organizations (CHDOs); these organizations must be certified by HCD as meeting certain conditions as specified in the State HOME Regulations as well as in the HUD final rule in order to apply for State HOME funds. State ESG and HOPWA funds are available for use throughout the State, except in the jurisdictions that receive formula allocations from HUD or which participate with urban counties that receive funds directly from HUD; there is no rural set aside. A list of eligible jurisdictions for the ESG program is included in Appendix 10, Attachment 2. The Department of Health Services' (DHS) Office of AIDS (OA) administers the State's HOPWA Program. While the HOPWA funding is generally made available through a formula allocation to all eligible areas of the State (see Appendix 8 – *Funding for HOPWA Activities* table), the OA retains a small percentage of the allocation of those counties. These funds are set aside and pooled with other available funds.

Sponsors located in the eligible jurisdictions may apply for these funds through a competitive application process (refer to Appendix 8). The OA requires that these funds be utilized only for projects in which long-term housing opportunities are being developed for persons living with HIV/AIDS (PLWH) in the eligible jurisdictions.

Low-Income Housing Tax Credits, for both the federal and State credits, are administered on a statewide basis by the State's Treasurer's Office. The Tax Credit Allocation Committee (TCAC) adopted regulations for this program on February 16, 2000 (see Appendix 3 for detailed information concerning the program).

2. SERVICE DELIVERY AND MANAGEMENT

Federal funds received by the State will be administered as follows:

- HCD's Division of Community Affairs (DCA) will administer the State CDBG, HOME and ESG programs.
- DHS' Office of AIDS, will administer the HOPWA Program.
- TCAC will administer Low-Income Housing Tax Credits.
- The Department of Community Services and Development (CSD) will administer funds for the Lead-Based Paint Hazard Prevention Program from HUD and the federal weatherization programs from the Departments of Health and Human Services' (DHHS) Low-Income Home Energy Assistance Program (LIHEAP), and Department of Energy's (DOE) Weatherization Assistance Program (WAP).

Standardizing HCD Applications and Data

HCD's DCA has begun implementing a standardized "Application Summary" for each of the programs it administers. Once fully implemented, the funding application for every program administered by DCA, including the federal programs, will begin with an "Application Summary" that collects seven main areas of information in a similar manner. The goal of this project is to make it easier for applicants to prepare funding applications. All new funding applications issued by DCA after January 1, 2003 will contain this new feature. Standardization of application summary information will also help HCD to collect consistent information for entry into a new division-wide database, expected to be completed during Program Year 2003-2004. Once fully implemented the new database should provide improved access to federal program data, enterprise-wide.

Program Income

The methods of tracking the receipt, expenditure, and uses of program income (PI) are: 1) the Reuse/Recapture Plan which describes the activities that will be funded from PI revenues, 2) the Annual Program Income Report which reports on the amount of PI received and expended for the year, and 3) the Annual Grantee Performance Report which summarizes accomplishments for each local RLA capitalized from PI.

The actual PI amount State Recipients will receive from the HOME Program this year will be determined after annual reports are submitted. These funds remain with State Recipients and must be spent on HOME-eligible activities. HOME Program typically receives about $476,297 in PI that is added to the new allocation from HUD and distributed through our Notice of Funding Availability. The HOME program requires recipients to provide a 25 percent match for all activities financed with HOME funds per 24 CFR 92.220. In the competitive application process for awarding HOME funds, applicants are required to demonstrate how they will meet the federal requirements for matching funds. Match must meet all requirements as specified in federal Final HOME Rule.

The Final HOME Rule at 24 CFR 92.254 (5), requires that participating jurisdictions impose either resale or recapture requirements, at its option. The participating jurisdiction must establish the resale or recapture requirements that comply with the standards of the Final HOME Rule and set forth the requirements in its consolidated plan. The State HOME Program will utilize the recapture option in its homeownership programs and projects, but reserves the right to utilize the resale option, at its sole discretion, for community land trust projects. Under the recapture option, the State HOME Program will require the subrecipient to repay the outstanding HOME subsidy at the time of resale. Full repayment will not be required in the case of a resale with no net proceeds or insufficient net proceeds to fully repay the HOME subsidy. The term of affordability will be ended at such time the HOME subsidy is repaid, in whole or in part, to the HOME Investment Account. The recapture provision will be enforced with a formal agreement with the homeowner and a recorded lien on the property.

The recapture option is not a viable option for certain HOME eligible activities, specifically a community land trust. If a State Recipient applies for this activity during the Notice of Funding Availability and Application process, the State Recipient may indicate the need to use the resale option in the Application. The request will be reviewed and, if appropriate, approved, at the State HOME Program's sole discretion. Under the resale option, the homebuyer may sell the property during the period of affordability provided that the subsequent purchaser is HOME income eligible and the property will be used as the principal residence. At the time of resale, the HOME subsidy will not be repaid to the HOME Investment Account but will be assumed by the subsequent purchaser including all the requirements and provisions contained in a formal agreement with the homeowner, the community land trust and a recorded lien on the property. The resale option will also ensure that the price at resale provides the original HOME assisted owner a fair return on investment (including the homeowner's investment, any capital improvements, and appreciation) and ensure that the housing will remain affordable to a reasonable range of low-income homebuyers. The period of affordability is based on the total amount of HOME funds invested in the housing. In the event of foreclosure or transfer in lieu of foreclosure the community land trust or the State Recipient may use purchase options, rights of first refusal or other preemptive rights to purchase the housing before foreclosure to preserve affordability. In the event that affordability is not preserved, the State Recipient will direct all earned Program Income (including any Recaptured funds or repayments) to the State HOME Investment Account until such time as the subsidy is repaid.

The State CDBG Program anticipates that cities and counties will generate approximately $15 million in CDBG PI during the next year. These funds remain with the grantees and must be spent on CDBG eligible activities.

ESG Matching Funds

Both the CDBG and HOME programs will continue to be administered in accordance with the provisions of State regulations, as well as those specified in federal regulations. The State regulations for both programs are incorporated in the Consolidated Plan by reference (copies of the regulations for these programs are available upon request from program staff).

In the past funding cycles, grantees have been required to provide the matching funds required by HUD. This funding cycle the State will use funds provided by State programs to meet the federal match requirement. Funds from the Emergency Housing and Assistance Program (EHAP) and Emergency Housing and Assistance Program-Capital Development (EHAP-CD) will be used for match for federal FY 2003 and future years.

HOME Program

The HOME Program staff meets bi-annually with the HOME Advisory Committee (composed of HOME eligible local governments advocates and CHDOs) to ensure there is ongoing dialogue between HCD and representatives of its HOME Program customer base. The Advisory Committee ~~plans on~~ meeting in May 2003, to discuss the acceleration of the HOME funds and the proposed regulatory amendments that ~~are~~ were underway at this time.

The HOME Program began acceleration of the expenditure of HOME funds by awarding a portion of the most recent federal allocation about 6 months, rather than 18 months, after it is made known to HCD by HUD. As a result, the HOME Program award $92 million in the 2002 NOFA. There will be a transition period, whereby HCD will continue to award a portion of the most recent federal allocation over the next three years (NOFA dates in 2003, 2004, and 2005). Each NOFA will be approximately $80 million. The 2006 NOFA will award the entire HOME funds the same year the HUD award is actually received.

Because of the coordination efforts and uniform underwriting regulation package facilitated by HCD's DCA (see #I-D Coordination Efforts), the HOME regulation package was delayed. Any changes in HOME regulations are required to follow the Administrative Procedure Act for rulemaking, which requires regulatory amendments to be noticed to the public, including a 45-day public comment period and a public hearing on a the regulatory package, as well as an additional 15-day public comment period if any related changes are made to the package. While the HOME regulatory amendments are not yet finalized, the preliminary list of proposed modifications are summarized below:

- Improve the rating of applications by adjusting rating factors and eliminating the two-stage rating system. This includes modifications such as awarding points on how well contractors meet their deadlines, timeliness of contractors' required reports, whether they are providing the same number of units they proposed in previous applications, and amending other capability factors; amending threshold factors; increased needs factors; modifying feasibility factors; and eliminating leverage as a factor.
- Improve the State's draw down rate by rewarding projects and programs that are the most feasible and most ready to begin construction.
- Adopt underwriting requirements that loans for all HOME-assisted activities must adhere to underwriting guidelines adopted by the HOME Program.
- Permit CHDOs which meet certain qualifying requirements to keep program proceeds.
- Require the CHDO applicant to meet specific eligibility criteria for applying for CHDO set-aside, including prohibiting CHDOs from applying as a co-developer with any entity other than another HCD-certified CHDO, and prohibiting CHDOs from being project sponsor only.
- Require minimum HOME investments of $5,000 per unit.
- Increase the period of affordability for HOME-assisted rental housing projects and for self-help projects developed by CHDOs.
- Adopt new HOME application requirements.
- Streamline and revise the HOME application form to make it a more efficient and effective tool for evaluation of applications, particularly in the area of project finance, which has changed substantially since the application form was created six years ago.

- Create new criteria for evaluation of program and project applications based on performance, prior experience, community need, feasibility and readiness.
- Allow the HOME Program to set the funding allocation for projects and for programs in the NOFA based on statewide housing needs data.

CDBG Program

- The State is required to match two percent of federal funds received under the CDBG Program. The detailed policies and procedures that will be followed in distributing CDBG funds in Program Year 2003/2004 and are contained in *State CDBG Programs* included as Appendix 5.

During Program Year 2002-2003, HCD amended its State CDBG regulations and implemented the amendments, substantively affecting the rating criteria and funding allocation procedures for the General Allocation. One of the most effective regulatory changes was to incorporate a "readiness" factor into the rating system. This change resulted in the submittal of applications that demonstrated being more ready to begin, and allowed these projects to begin using treasury funds sooner following execution of grant agreements.

HCD continues to consider ways to restructure its Colonias and Economic Development Allocations in order to improve timeliness of expenditures and program effectiveness and will continue to seek input from stakeholders.

HCD will monitor and make information available on any proposed legislation that may affect the State CDBG program. The administrative milestone dates for allocation of each program is shown on the next page.

Table 1: Timing of Allocation of Funds – Application Process

NOFA	Workshops	Application Deadline(s)	Awards	Contracts
CDBG Program				
General/NA/Colonias				
October 18, 2002	Nov 6 – Dec 6, 2002	February 14, 2003	May 1, 2003	July 1, 2003
ED Enterprise Fund				
July 1, 2003	July 2 – July 24, 2003	September 9, 2003	November 23, 2003	January 31, 2004
ED Over-the-Counter				
July 1, 2003	July 2 – July 24, 2003	Continuous	Continuous	Continuous
Planning and Technical Assistance				
July 1, 2003	July 2 – July 24, 2003	June 30, 2003 & October 31, 2003	August 8, 2003 & December 12, 2003	Nov 14, 2003 & March 13, 2004
ESG				
March 26, 2003	April 16 & 23, 2003	May 19, 2003	August 30, 2003	September 30, 2003
HOME				
~~August 31, 2003~~	~~August 20-22, 2003~~	~~October 30, 2003~~	~~January 16, 2004~~	~~March 15, 2004~~
Nov 15, 2003	Dec 1 – 10, 2003	January 16, 2004	April 1, 2004	July 15, 2004
HOPWA Formula				
March 2003	None	April 30, 2003	May 31, 2003	July 1, 2003
HOPWA Development				
July 2003	To be announced	Over-the-Counter	Continuous	Continuous

3. OBJECTIVES

Objective 1: Meet the housing needs of low-income renter households, including providing homeownership opportunities for first-time homebuyers.

Activities and Programs: The State expects to receive and use HUD funds in California Program Year 2003-2004 under the HOME, CDBG, and HOPWA programs to support Objective 1.

The ongoing activities and programs of the State CDBG and HOME programs in support of Objective 1 have been described under Objective 1 in the Five-Year Housing Strategy. Those activities and programs are summarized below.

The Consolidated Plan provides for funding major and moderate housing rehabilitation, minor repairs, acquisition, acquisition with rehabilitation, and new construction of both rental and ownership housing. The Plan promotes a suitable neighborhood environment for meeting renters' needs by providing support for infrastructure, including a water supply and sanitary facilities. CDBG funds can be used in support of new construction by funding infrastructure costs, such as sewer and water improvements, and land purchase.

During the FY 2003-2004 Program Year, each of the federally funded programs will reflect all of the features of the Five-Year Housing Strategy for use of the program, including leveraging policies and methods for meeting matching funds requirements. The level of activity will be determined by the amount of funds available under each program. CDBG and HOME funds will be used to support the development of new rental and ownership housing for all types and sizes of low-income households.

CDBG funds will be made available to support the preservation of existing rental housing and neighborhoods. Housing rehabilitation and community or neighborhood revitalization are goals under all of these programs. Beginning with FY 2003-2004 Program year, CDBG will begin tracking whether funding applications under the General and ED Enterprise Fund allocations were preceded by a CDBG Planning and Technical Assistance Grant, by activity.

HOME Objective:
Increase rental housing expenditure rate.

HOME Target:
Decrease the dependence of HOME rental projects on the over subscribed nine percent Low-Income Housing Tax Credit financing by increasing the maximum application limit to allow for deeper subsidies on non 9 percent projects. Decrease the use of 9 percent tax credits in 50 percent of projects funded.

HOPWA funds are used to assist renters who are at-risk of homelessness through the provision of tenant based rental assistance, short-term emergency rental and utility payment assistance (TBRA & STRMU). Historically, approximately 60 percent of the annual formula HOPWA funds have been used for these activities.

The Office of AIDS, in an effort to promote the development of long-term rental housing for people living with AIDS, is also requiring that a small percentage of the HOPWA funding in eligible jurisdictions be earmarked for the development of long-term rental housing units for PLWHs.

HOPWA Objectives:
1. To maintain the number of persons receiving TBRA and STRMU identified in the previous year.
2. Increase client accessibility to longer term rental subsides such as Section 8, or Shelter Plus Care to ensure continued assistance.
3. Increase the number of long-term rental housing units available to PLWH.

HOPWA Strategies:
1. Continue to monitor sponsors to determine whether appropriate outreach and marketing efforts are being made to underserved and hard-to-serve populations. Ensure funds are being utilized properly.
2. Provide technical assistance, training tools and resource information to sponsors and case managers for the development of long-term housing plans for clients.
3. Develop strategies for leveraging of available State, federal and private funding for the development of HIV/AIDS supportive housing.
4. Increase the number of available rental housing units for PLWHs through the HIV Housing Development Program.

As provided in the Consolidated Plan, to promote effective use of federal funds, the State will work closely with HUD, USDA Rural Development, and other federal agencies that fund housing and housing-related activities in California.

Federal resources that the State plans to use in support of this objective include CDBG, HOME, and HOPWA funds, and Low-Income Housing Tax Credits. Applicants in most programs will compete for funds based on the need level of the community and effectiveness in addressing local needs. In the CDBG Program, applications to meet both renter and owner needs will compete in a common pool. In the HOME Program, applications for projects (which are often rental) and applications for programs (which by and large provide down-payment assistance to first-time homebuyers) compete separately from each other, so that rental projects are not adversely affected. In both the CDBG and HOME programs, applicants can apply for funds for use in both owner and renter programs, as well as for assistance for the homeless and supportive services to the extent those are eligible activities under federal and State law.

Objective 2: Meet the housing needs of low-income homeowner households.

Activities and Programs: The activities and programs in support of this objective will be the same as those shown under Objective 2 in the Five-Year Housing Strategy of the Consolidated Plan, including leveraging policies and methods for meeting matching funds requirements.

The State expects to receive and use HUD funds in California Program Year 2003-2004 under the State HOME and CDBG programs to support Objective 2. The activities and programs of these programs, in support of Objective 2, have been described under Objective 2 in the Five-Year Housing Strategy. Those activities and programs are summarized below.

HOME and CDBG funds will be used for rehabilitation of both owner and rental housing. To comply with the federal requirements regarding homeownership, all homebuyer loans include a resale restriction, which will apply only if the residence is sold prior to the expiration of the required term of affordability (HOME), or term of the loan (CDBG). This requirement takes the form of a deed restriction or other agreement recorded against the title on homebuyers' properties.

HOME Objective:
- HOME funds will be made available to meet the housing needs of low-income first-time homeowner households and new owner occupied units.

HOME Target:
- First-time homebuyer: 600 low-income homeowner units.
- New owner occupied: 100 low-income homeowner units.

The CDBG Program does not restrict homebuyer assistance to first-time homebuyers. Instead recipient communities may choose to assist low-income households who have previously owned a home to purchase a home in their community. This feature may benefit a community through revitalization using experienced homeowners to populate a depressed area, or by allowing a low-income household to relocate from another community or to change its housing unit size as the household size changes.

HCD has established uniform terms for its direct first-time homebuyer HOME loans through CHDO grantees. State recipients are given the flexibility to assist first-time homebuyers, through their HOME grants, in any way which conforms with 24 CFR 92.254, except that all assistance must be in the form of loans. Forms of assistance other than loans shall not be approved except for funds used for lead abatement work in rehabilitation of owner-occupied housing and funds used for activity delivery costs.

Funds from DOE's WAP, DHHS' LIHEAP, and HUD's Lead Hazard Control Program will be used to fund weatherization, home repairs, energy assistance and lead hazard reduction services for low-income households targeted by Objective 1 and Objective 2. These activities will help to improve the living conditions of those households occupying substandard housing and to relieve high energy cost burdens.

The reuse of historic properties through the Historic Building Code, federal funds, and the Historic Tax Credit are also viable means to promote an adequate supply of housing, particularly in rural areas.

HOPWA funds may be used for emergency mortgage assistance to low-income homeowners in an effort to prevent foreclosure and allow PLWH families to remain in their homes.

HOPWA Objective:

- To ensure that mortgage assistance is made available to eligible to those households in need.

HOPWA Strategies:

- Continue to monitor sponsors to determine whether appropriate outreach and marketing efforts are being made to underserved and hard-to-serve populations. Ensure funds are being utilized properly.
- Provide technical assistance, training tools and resources information to sponsors and their case managers for the development of long-term housing strategies for clients.

Objective 3: Meet the housing and supportive housing and accessibility needs of the homeless and other special needs groups, including prevention of homelessness.

Activities and Programs: The activities and programs in support of this objective will be the same as those shown in the five-year strategy for this objective, including leveraging policies and methods for meeting matching funds requirements. HUD funds which the State expects to use to improve housing conditions for special needs groups and homeless persons include the ESG and HOPWA programs in particular.

HOPWA Objective:
The method for distribution of HOPWA funds is described in Appendix 8.

HOPWA Strategies:

- HOPWA funds are primarily utilized to provide emergency and short term rental subsidies, emergency mortgage assistance and utility payment assistance to PLWH who are homeless or at risk of homelessness.
- HOPWA funds provide ongoing supportive services that allow these persons to continue to live independently.
- HOPWA funds are used to pay operating costs of transitional and long-term licensed and unlicensed housing facilities for PLWH.
- HOPWA funds are also utilized to promote the development of affordable rental housing for PLWH, to include the development of transitional facilities as well as long-term units for independent living.

HOPWA Objective:
Pursue opportunities to serve post-incarcerated PLWH, the multiply diagnosed populations and other hard-to-serve groups.

HOPWA Strategies:
- Actively pursue resources through special initiatives and openly distribute fund to eligible applicants.
- Collaborate with other agencies such as the Departments of Corrections, Mental Health, Social Services, and Alcohol and Drug programs to pursue any funding opportunities and coordinate resources.

HOPWA Objective:
Ensure all PLWH in need of housing assistance have been identified and provided assistance.

HOPWA Strategies:
- Coordinate with the Ryan White Care Act funded programs to provide technical assistance to sponsors in methods of outreach and marketing, including outreach to the hard-to-serve or underserved populations (e.g., migrant farmworkers, post-incarcerated persons, and women).
- Conduct site visits to at least 20 percent of the sponsors to ensure proper use of funds.

HOPWA Objective:
Increase the number of transitional and permanent housing units available to PLWH.

HOPWA Strategies:
- Through the HIV Housing Program RFA, make available new units of transitional or permanent housing through funding of housing development activities.
- Continue to organize a working group to or develop strategies for funding the capital development and operational costs of licensed and unlicensed community residences for PLWH, particularly persons with AIDS dementia and multiple diagnoses (e.g., substance abuse and mental illness). This includes collaboration with other funding agencies such as the Departments of Mental Health and Alcohol and Drug, HCD and other funding and technical assistance resources.
- Continue to partially fund the operating costs of seven existing transitional and permanent licensed and unlicensed community residences.

HOPWA Objective:
Increase the linkages with supportive services agencies and funders.

HOPWA Strategies:
- Coordinate with the Ryan White Care Act funded programs to provide technical assistance to sponsors and case managers regarding 100 percent compliance with the HAB Ryan White Care Act Housing Policy that includes transition of supportive services activities from HOPWA to Ryan White Care Act funds and housing activities to HOPWA.
- Work closely with the Ryan White Care Act program to ensure continued client access to care and treatment services.
- Monitor at least 20 percent of the HOPWA sponsors to ensure compliance with supportive service requirements.

HOPWA Objective:
Increase the number of PLWH transitioning to permanent housing.

HOPWA Strategies:
- Work closely with sponsors and case managers to ensure an understanding of client long-term housing plans.
- Establish a tracking system to document the number of clients that have transitioned to permanent housing.

Homeless

The extent to which the HOME and State CDBG programs will be used to serve the homeless will depend on the content of the applications received. Currently funded McKinney Act programs, originally funded under the Permanent Housing for the Handicapped Homeless (PHH) program, will be transferred to HUD oversight when they receive Supportive Housing Program renewals.

CDBG Objective:
CDBG funds will be made available for the acquisition, construction or rehabilitation of facilities that meet the housing needs of the homeless and other special needs groups. Proposals that address the needs of farmworkers and those with worst-case housing needs will be encouraged.

CDBG Target:
- Support the acquisition, construction or rehabilitation of 50 units of housing that meet the needs of the homeless or other special needs groups.
- Provide case management or other services to 50 persons that are homeless or in other special needs groups.
- Continue to provide State Objective bonus points under the General Allocation for farmworkers health/housing proposals, and for proposals that address worst-case housing needs. See Appendix 9 for the criteria for these bonus points.

An important part of promoting suitable living conditions for those with special needs is the provision of appropriate supportive services. As described in the Supportive Services section of the Consolidated Plan, California has an extensive ongoing system of social services that provides institutional care, client-based community or residential services, and housing-based supportive services. The State will continue its efforts to assist homeless persons by funding the activities of service and housing providers to promote self-sufficiency and provide transitional and permanent housing. Key elements of the 2002-2003 program include: continuing the elimination of 30 percent limit for Essential Services (subject to HUD approval), and extension of homeless prevention expenditure deadline from 6 to 12 months (subject to HUD approval).

The Health and Welfare Agency is responsible for overall coordination of homeless activities in State government. The State Department of Social Services operates the California Work Opportunity and Responsibility to Kids (CalWORKs) Program. Chapter 307, Statutes of 1995 (Assembly Bill 908) enacted new provisions which limit homeless assistance to once-in-a-lifetime with certain exceptions. The regulations implementing the new provisions went into effect on January 1, 1996. Once-in-a-lifetime homeless assistance includes temporary shelter and/or permanent housing. If a family had ever received temporary shelter and/or permanent housing payments in the past, they are not eligible for homeless assistance again unless the reason for the homelessness is any one of the following:

- Domestic violence by a spouse, partner, or roommate; or
- Non-inhabitability of the former residence caused by sudden and unusual circumstances beyond the applicant/recipient's control, which includes, but is not limited to, fire, natural catastrophe, or condemnation; or
- A medically verified physical and mental illness, excluding alcoholism, drug addiction or psychological stress.

These exceptions are limited to one in 12 months. An exception also applies whenever a state- or federally-declared natural disaster is the direct and primary cause of the homelessness. Payments for temporary shelter are limited to 16 consecutive days. To receive reimbursement for expenses incurred for temporary shelter, the family must provide verification of both shelter expenditures and that they have been searching for permanent housing within the 16-day period. For temporary shelter costs to be paid by the homeless assistance program, the family must stay in a commercial establishment, shelter, publicly funded transitional housing, or in a place of business that has a history of renting properties.

A nonrecurring special needs payment for permanent housing shall be granted to a family when they have found permanent housing and have presented a rental agreement signed by the landlord stating that he/she intends to rent to them for no more than 80 percent of the family's maximum assistance payment. The payment for permanent housing may include a security deposit when it is required by a landlord as a condition of assuming occupancy and the actual costs of utility deposits to cover deposits (turn-on-fees) required for gas electricity, and/or water.

Priorities among the eligible uses of ESG funds are reassessed periodically. Applicants in Program year 2003-2004 for ESG funds may apply on a competitive basis for funding for emergency shelter and transitional housing or homeless individuals and homeless families, to prevent individuals and families from becoming homeless, an to help homeless persons make the transition to permanent housing and independent living, including funding of supportive services for those who need such services to achieve and maintain independent living. In addition, applicants will be able to apply for a stand-alone homeless prevention program (separate from an emergency shelter).

California has received formula grants under the McKinney Projects for Assistance in Transition from Homelessness (PATH) Program administered by the Department of Mental Health (DMH). Each participating county is required annually to develop a service plan and budget. Eligible uses of the funds include housing services and supportive services in residential settings.

HCD continues to work cooperatively with DMH to develop policy and program guidelines that promote collaborative efforts in the area of supportive housing. HCD staff participates on the Supportive Services Council and the Mental Health Planning Council.

The Department of Developmental Services (DDS) established an Affordable Housing Work Group, which has become a freestanding housing advocacy organization called "The California Affordable Housing Coalition for Persons with Developmental Disabilities" (Coalition). The Coalition's primary purpose is to support local, State, and national legislation and policies that promote the development of affordable housing for consumers receiving services form DDS. Staff members from DDS attend meetings of the Coalition and offer support when appropriate. In addition, 18 non-profit Housing Coalitions have been established throughout the State. These Coalitions serve to acquire actual housing for persons with developmental disabilities by working with developers to create long-term rental set aside units and by assisting individuals in purchasing their own homes or obtaining rental subsidies. DDS sponsors training programs on affordable housing issues and maintains a housing web page at www.dds.ca.gov.

ESG Goal:
In the 2003 FFY, the State will distribute the ESG funds as described in Appendix 10.

ESG Target:
- Fund local governments and nonprofit organizations that operate emergency shelters and transitional housing to provide safe, sanitary shelter and services to homeless persons.
- Prevent homelessness and enable homeless families and individuals to move toward self-sufficiency by providing a first step in a continuum of care.
- Issue at a minimum, 45 grants during the 2003 FFY to accomplish the above.

ESG Objective:
In the 2003 FFY, establish State regulations to improve and clarify the implementation of the ESG program.

ESG Target:
- Provide an opportunity for shelter and service providers to participate in the regulations creation process through public hearings and comment solicitation.
- Complete the process to establish State ESG regulations which will mirror and complement, to the greatest extent possible, the existing State funded EHAP regulations.

ESG Objective:
Ensure that ESG grantees are in compliance with the ESG Program requirements.

ESG Target:
- Revise and continue to use the grantee Risk Assessment tool to measure risk associated with all grantees from the 2001 and 2002 funding cycles and to determine which grantees require on-site monitoring.
- In FFY 2003 monitor the highest risk grantees, increasing the number of grantees to be monitored from 10 to15.
- Develop a tracking system for grantee reporting and notify by mail or e-mail grantees that are not reporting in a timely manner or not at all. During FFY 2003, grantee reporting will be added as a rating criterion which could affect future funding.

ESG Objective:
In the 2003 FFY, meet the federal funding match requirement with State funds.

ESG Target:
In past funding cycles, grantees have been required to provide the matching funds required by HUD. This funding cycle the State will use funds provided by State programs to meet the federal match requirement. Funds from EHAP and EHAP-Capital Development (EHAP-CD) will be used for match for FFY 2003 and future years.

ESG Objective:

In FFY 2003 measure program outcomes by the number of persons/families served.

***ESG Target*:**
- In FFY 2003 application, require applicants to estimate program outcomes in the form of the number of persons/families served.
- In subsequent annual reports, compare the estimates to actual number of persons/families served.

Prevention of Homelessness

Few State programs are explicitly directed at prevention of homelessness as their primary purpose. However, many State programs are important in preventing homelessness. These include activities which assist with housing costs, the requirement for discharge plans for release from institutions, the client-directed case management system designed to support the severely mentally ill in their residences, the total package of services for the developmentally disabled, and all income maintenance programs.

The HOPWA Program provides rental, utility and mortgage assistance to persons living with HIV/AIDS who are at risk of homelessness. This assistance, when coupled with HOPWA and the Ryan White Care Act funded supportive services, has allowed these residents to remain in their homes. The prevention of homelessness is an essential component of the HOPWA Program, particularly with the advent of life prolonging medications with rigorous protocols that are better served by stability in the person's living situation. HOPWA will work towards the prevention of homelessness through the objectives and strategies set forth in Objective 3 of this plan.

Additionally, programs such as ESG and EHAP, which assist with utility payments or reduce utility costs, are important in preventing evictions that can result in homelessness.

In the employment training area California has made significant commitments to better the lives of foster care. California implemented collaborative program efforts between CDSS, Employment Development Department (EDD) and the California Workforce Investment Boards (CWIB) to meet job training needs of foster youth. Foster Youth are encouraged as early as age 14 to register and participate in activities designed for foster youth, at–risk youth, and former foster youth at the One-Stop Career Centers throughout the State. The program provides appropriate employment training and skills that enable foster youth to transition into the adult life more smoothly and be able to support and house themselves.

CDSS would encourage the development of low density transitional housing units that would accommodate foster youth who have emancipated from the foster care system and are at risk of being homeless. There is a critical need for this as a safety net for foster youth who have or in the process of aging out of the system.

Continuum of Care

Local Continuum of Care Plans (C of C) is required for qualifying for McKinney Act homeless funds. Local governments prepare C of C Plans; the State does not prepare a C of C Plan. However, CDBG Planning and Technical Assistance Grants may be used by eligible jurisdictions to prepare these C of C plans. HCD staff presented this information at a HUD-sponsored training for the Sacramento Valley in Red Bluff in February 2003.

4. SPECIFIC OBJECTIVES

The State's HOPWA Program is administered on a formula grant basis, with the exception of a percentage of funding for certain jurisdictions set aside for long-term housing on a competitive basis. The State’s CDBG, HOME and ESG programs are administered on a competitive basis. The CDBG, HOME, ESG, and HOPWA programs encompass a wide variety of eligible activities, including both direct and indirect assistance to households.

Table 1 contains household type priorities and estimated units to be funded. The figures in the *estimated units* column represent rough projections, but are subject to significant variability. However, actual numbers of households assisted in the various categories will be determined by the content of the applications received and the ratings they are assigned using the applicable regulations and other rating procedures. The estimates in Table 2 are not used in the rating process, or in connection with any planned actions in the Consolidated Plan.

Priorities: In accordance with the reasons stated in the "Summary of Housing Strategy" portion of the Five-Year Housing Strategy, all categories of households and all housing assistance categories in Table 2 are considered high priority. HUD defines high priority as: "Activities to address this need will be funded during the five-year period." All of these categories are of high priority in most jurisdictions, and expected to be funded.

Table 2: Priority Needs Summary Table – 2003-2004

Priority Housing Needs (Households)		Priority Need Level High, Medium, Low		Goals
Renter	Small Related	0-30%	High	64
		31-50%	“	94
		51-80%	“	88
	Large Related	0-30%	“	65
		31-50%	“	95
		51-80%	“	89
	Elderly	0-30%	“	90
		31-50%	“	132
		51-80%	“	124
	All Other	0-30%	“	18
		31-50%	“	274
		51-80%	“	25
Owner		0-30%	“	197
		31-50%	“	502
		51-80%	“	751
Special Populations		0-80%	“	47
Total Goals				2,360
Total 215 Goals				1,227

California's Housing Need

Key Issues in the California Housing Economy:

- Under supply of new housing construction starts
- High housing cost burdens
- Overcrowding
- Substandard housing
- Loss of affordable units
- Special population needs
- Homeless and emergency shelter needs

The housing markets have not kept pace with the housing needs of households within the State, particularly low-income and other rental households. Housing is generally the greatest single expense item for households. By 1990, over 12.3 percent of households reported overcrowding, more than half of these were severely overcrowded. Potential loss of affordability restrictions on a substantial portion of the government-assisted multifamily rental developments in California is a great concern on providing affordable units to low-income households.

B. OTHER ACTIONS

1. PUBLIC POLICIES

The actions to address public policies affecting the provision of affordable housing in California, which are described in the Five-Year Housing Strategy of the Consolidated Plan, will continue to be undertaken during Program Year 2003-2004. Those actions involve State administrative actions to promote the development of new affordable/accessible housing, to preserve existing housing and neighborhoods, and to reduce housing costs. Ongoing State action also includes evaluation of the effectiveness of current laws and recommendations for changes in those laws.

2. FAIR HOUSING

The actions to overcome impediments to fair housing, as identified in the State's 1996 report, Furthering Fair Housing:

Impediment 1: *Continued differential treatment of minorities, families with children, and handicapped persons when seeking housing and loans for home purchase*.
Impediment 2: *Lack of affordable housing.*
Impediment 3: *Difficulty obtaining homeowners' insurance for residents of inner cities, regions with earthquake faults, and regions with fire hazards, and remote rural areas.*
Impediment 4: *Local regulatory barriers including zoning and NIMBYism hinder development of affordable housing, multifamily housing, homeless shelters, and residential care facilities.*

The following is the schedule of actions the State will undertake to address impediments to fair housing. Each action step includes the party responsible for enforcement, a timeframe, and the impediment addressed.

As the lead agency for administration of HUD's formula block grants, HCD's major role is coordination and outreach, and oversight of fair housing activities by local governments and grantees. The Department of Fair Employment and Housing (DFEH) is the State's lead agency on fair housing outreach and enforcement across agencies and governments.

The DHS' Office of AIDS, in administering the HOPWA program, facilitates adherence to federal fair housing requirements. Technical assistance, through the provision of training and written manuals, is provided to community-based organizations and county health departments that administer the HOPWA funds locally. Additionally, the Office of AIDS monitors for compliance with fair housing requirements.

The HOPWA Program and other HIV/AIDS-specific medical and supportive service programs, were initially an outgrowth of rampant discrimination against people with HIV/AIDS, and are viewed as programs that help to remove the impediment of discrimination. A person's rights under federal fair housing laws are provided locally through the HOPWA program under the Housing Information category, which includes housing counseling and referral services, as well as fair housing counseling for eligible persons who may encounter discrimination.

Table #3: Fair Housing Impediments

Impediment #1 ***Enforce State and federal fair housing laws.***	
Responsible Party: Cal. Dept. of Fair Employment and Housing	**Time Frame**: Ongoing
Publish and disseminate fair housing educational materials. HCD will provide printed information at all participatory conferences and will provide, in coordination with DFEH, education on fair housing issues at all HCD sponsored training workshops.	
Responsible Party: Cal. Dept. of Fair Employment and Housing & HCD	**Time Frame**: Ongoing
Impediment #1, 2 & 4 ***Monitor, promote and increase technical assistance to local jurisdictions participating in federally funded programs***.	
Responsible Party: HCD's CDBG, HOME, and ESG programs	**Time Frame**: Ongoing - during the annual cycle of each programs grant management workshops
Impediment #1 – 4 ***Increase cooperation among State fair housing enforcement agencies.*** Convene an annual meeting of State agencies to discuss opportunities for increased cooperation and coordination.	
Responsible Party: HCD	**Time Frame**: October 2003

Table 3 (continued)

Impediment #1 – 4 ***Encourage city and county planning departments to implement land use policies which encourage fair housing and the construction of affordable/accessible housing through the administration of State housing element law***. Continue administering State housing element law.	
Responsible Party: HCD	**Time Frame**: Ongoing Administration
The 02/03 Program Year involves jurisdictions within the following regions: Butte County Association of Governments, Central Sierra Planning Council and Economic Development District, HCAG, Lake County-City Areawide Planning Commission, KCAG, MCAG, MCOG, SAGE, San Benito County Council of Governments, San Luis Obispo Area Council of Governments, Santa Barbara Area Planning Council, Sierra Planning Organization and Economic Development District, SJCCOG, STANCOG, TCAG, TRPA, Tri-County Area Planning Council and the following counties: Del Norte, Inyo, Lassen, Modoc, Mono, Plumas, Shasta and Trinity.	
Impediment #1 ***Provide technical assistance on State planning laws promoting siting of and zoning for a variety of housing types including multifamily housing, emergency shelters, residential care facilities, and accessible housing***. Outreach through housing element workshops and technical assistance to cities and counties.	
Responsible Party: HCD	**Time Frame**: Ongoing

Impediment #1 ***Promote the development of affordable accessible housing through the administration of Title 24. Promote accessibility, universal design, and home modification through the use of CDBG & HOME funds for existing single-unit housing.***	
Responsible Party: HCD; Division of the State Architect; and Cal. Dept of Rehabilitation	**Time Frame**: Ongoing

As part of this objective, the HOME Program has added a new requirement to be met in order to set up a rental project. Projects will not be permitted to be set up until the program has received a certification from the project architect that the plans and specifications meet the requirements for accessibility by disabled persons in compliance with Section 504 of the Rehabilitation Act of 1973. In addition to this set-up requirement, the final drawdown will be held back until HOME contractors submit another certification from the project architect that the as-built project conforms with the plans and specifications, and that is the requirements of Section 504 have been met.

The CDBG Program has added a new requirement to be met in order to draw funds for any multifamily or single-family housing or community facility new construction project, or any multifamily housing or community facility substantial rehabilitation project. This requirement will consist of a contract special condition requiring a certification from the project architect that the plans and specifications meet the requirements for accessibility by disabled persons in compliance with Section 504 of the Rehabilitation Act of 1973.

Table 3 (continued)

HCD's Division of Codes and Standards is evaluating Title 24, Chapter 11A (construction codes) regarding accessibility for conformance with changes in the Fair Housing Amendments Act and the ADA. Current California regulations are, for the most part, stricter than the federal requirements. However, if the review shows deficiencies, the Department will advance amendments to its regulations to ensure full compliance with federal law and guidelines.	
Impediment #1-4 ***Collect and disseminate information on resources to combat NIMBY; regulatory barriers and other land use impediments to fair housing.***	
Responsible Party: HCD	**Time Frame**: Ongoing
Impediment #1-4 ***The CDBG program will consider adding fair housing activities as one of the State objectives qualifying applications for bonus points. This activity was not incorporated into FY 2003-2004 applications, but may be incorporated in the future.***	
Responsible Party: HCD	**Time Frame**: Future Consideration
Impediment #1 ***Require all Real Estate agents renewing their licenses to complete a three-hour course in fair housing.***	
Responsible Party: Cal. Dept. of Real Estate	**Time Frame**: Ongoing
Impediment #2 ***Continue to promote affordable/accessible housing development.***	
Responsible Party: HCD, California Housing Finance Agency, Tax Credit Allocation Committee	**Time Frame**: Ongoing
Recently enacted legislation requires all housing elements to include an analysis of potential and actual governmental constraints on the development of housing and programs for persons with disabilities and demonstrate the jurisdiction's efforts to remove governmental constraints on housing for persons with disabilities.	
Impediment #1 ***Require Local Jurisdictions and CHDOs who are funded under the HOME program to adopt affirmative marketing procedures.***	
Responsible Party: HCD	**Time Frame**: July 2003
Impediment #2 ***Through partnerships with Community-Based Organizations, continue to serve households that are typically underserved.***	
Responsible Party: CSD	**Time Frame**: Ongoing

Table 3 (continued)

Impediment #1 – 4 ***Encourage city and county planning departments to implement land use policies which encourage fair housing and the construction of affordable/accessible housing through the administration of State housing element law.*** Continue administering State housing element law.
Responsible Party: HCD — **Time Frame**: Ongoing Administration
The 02/03 Program Year involves jurisdictions within the following regions: Butte County Association of Governments, Central Sierra Planning Council and Economic Development District, HCAG, Lake County-City Areawide Planning Commission, KCAG, MCAG, MCOG, SAGE, San Benito County Council of Governments, San Luis Obispo Area Council of Governments, Santa Barbara Area Planning Council, Sierra Planning Organization and Economic Development District, SJCCOG, STANCOG, TCAG, TRPA, Tri-County Area Planning Council and the following counties: Del Norte, Inyo, Lassen, Modoc, Mono, Plumas, Shasta and Trinity.
Impediment #1 ***Provide technical assistance on State planning laws promoting siting of and zoning for a variety of housing types including multifamily housing, emergency shelters, residential care facilities, and accessible housing.*** Outreach through housing element workshops and technical assistance to cities and counties.
Responsible Party: HCD — **Time Frame**: Ongoing

3. DEVELOP A LEAD-BASED PAINT ACTION PLAN

HCD has developed an action plan to increase local capacity for the implementation of new lead-based paint regulations. Points of actions are described below, a table detailing the timeframe and appropriate staff for the action plan has been developed and is listed for each of the affected programs briefed on the new lead-based paint regulations (next page).

Table 4: Lead-Based Paint Action Plan

Action	Staff and Others Involved	Completion Date
1. What actions need to be taken in the next 30 days?		
Prepare and advertise CDBG LBP/Housing Rehabilitation training for the summer, using a management memo.	David Nelson (LBP) Harry Farris (HR)	April 2003
2. What actions need to be taken in the next 60 days?		
Update the CDBG LBP monitoring checklists and distribute in a management memo.	David Nelson	May 2003
3. What actions need to be taken in the next 6 months?		
a. Present the CDBG LBP/HR training in multiple sites throughout the State.	David Nelson Harry Farris	June 2003
b. Update the CDBG Grant Management Manual's LBP chapter to reflect any changes per SB 460.	Kathy Ely (CSD) David Nelson	June 2003

In an effort to comply with federal lead-based paint regulations, HOPWA will take steps to ensure sponsor compliance. These efforts include providing sponsors with an information package, updated instructions in the Administrative Manual, and training.

4. INSTITUTIONAL STRUCTURE

As described in the Five-Year Housing Strategy, Health and Welfare Agencies are implementing the many changes in the welfare structure. The goal of this effort will be to minimize fragmentation, ensure that programmatic goals and policies are consistent, and encourage the most efficient delivery of services possible.

The State has implemented a collaborative effort to involve several departments in the expansion of supportive services for a broad range of individuals in need of such services (seniors, mentally ill, youth aging out of foster care, and disabled). As part of recent legislation the Supportive Housing Council has been established with Department of Mental Health (DMH) as the lead agency. Participants include HCD, DSS, Employment Development Department, Aging, Rehabilitation California Housing Finance Agency, DSS and a variety of outside support persons such as representatives from the Corporation for Supportive Housing. The Council will oversee the first rounds of the allocation of funds for supportive housing and make recommendations to the Governor and Legislative for further expansion of the area.

HCD and DHS are working on the subcommittee with DMH that is reviewing the application for the second cycle of funding ($3.7 million). This effort brings together a wide range of State resources and levels of expertise. DMH has been representing HCD's perspective with a focus on housing and development.

5. LOW-INCOME HOUSING TAX CREDITS

The features of the federal and State Low-Income Housing Tax Credit programs are detailed in Appendix 3. State agencies must each design and implement a Qualified Action Plan that established priorities for allocating the credit based on State and local needs.

6. PUBLIC HOUSING RESIDENT INITIATIVES

The State does not own or operate public housing; public housing is administered directly through local Public Housing Agencies (PHA). Therefore, the State has no involvement with public housing residents. For those jurisdictions that do not have a PHA, HCD has a Housing Assistance Program (HAP) that administers the Section 8 program in those counties. For twelve rural counties that do not have a housing agency, HCD acts as the Public Housing Agency (PHA) for this purpose. The counties are listed below:

Alpine	Amador	Calaveras	Colusa	Glenn	Inyo
Modoc	Mono	Sierra	Siskiyou	Trinity	Tuolumne

Section 515 of the Quality Housing and Work Responsibility Act of 1998 requires all Public Housing Agencies to submit to HUD a five-year plan and an annual Action Plan. The plans must have a certification by the applicable State or local jurisdiction for consistency with the appropriate Consolidated Plan. The Five-year Plan addresses long-range goals and objectives for achieving the mission of providing affordable/accessible housing to extremely low- and very low-income families. The Annual Plan provides details regarding immediate operations, program participants, programs and services, and strategies for handling operation concerns, participants' concerns and needs, programs and services for the upcoming fiscal year.

7. LEAD-BASED PAINT HAZARD REDUCTION

Lead Hazard Control Program

The three State agencies that have responsibility for implementing lead hazard control efforts in California are as follows:

CSD's Lead Hazard Control Program. Six CBOs are implementing this program in 12-targeted counties. Units that are pre-1960 and occupied by a child under the age of six will be targeted. Units that are occupied by an EBL child are also eligible. In order to assist HUD with the implementation of the new HUD regulations (24 CFR Part 35), the Program has expanded its service priorities to include units that are purchased, leased and or improved using CDBG, HOME and/or ESG funding. Through this grant, 350 units will be made lead-safe. CSD will also provide lead awareness training (including 24 CFR Part 35) to local housing officials in the 11 counties. CSD will continue to partner with HCD when there are opportunities to provide lead awareness training and/or lead-related construction courses.

CSD will also develop a Lead Hazard Control Installation Standards Manual. To ensure HCD's federal programs (CDBG, HOME and ESG) have become familiar with the new lead-based paint regulations (Title 24 of the Code of Federal Regulations at Part 35), HCD has conducted workshops throughout the State.

In California, in order to perform lead-based paint abatement work, the worker must be certified by DHS. DHS certifies lead-based paint abatement workers in five different classifications. The only method of obtaining certification in California is to take a DHS-approved training by a DHS-certified trainer. The training lasts from 3 to 5 days, depending on the type of certification (workers must take a 3-day course; supervisors must take the same 3-day course plus an additional 2-day course; and inspector/assessors must take a 5-day course). DHS continues to accredit trainers, approve training courses, certify lead-related construction workers, and govern lead hazard control activities through the implementation of the Lead-Related Construction Work Practice Standards and Accreditation and Certification Program.

In the past, HCD staff worked with CSD to sponsor some basic lead-based paint training for program administrators. However, the three levels of training needed for lead abatement workers deemed necessary to perform work associated with implementing housing and community development programs in California are: 1) workers, 2) supervisors, and 3) inspector/assessors. Jointly-sponsored training for these workers has proved problematic due to the different geographic areas served by the various programs, different clientele, different program needs and the exorbitant cost of the training needed for the CDBG, HOME and ESG programs.

<u>Funding Sources</u>

The three State agencies with responsibility to implement California's lead hazard control efforts are funded as follows:

- CSD has been awarded a three and a half-year grant from HUD for $4 million. CSD will utilize this Round VII grant to administer Lead Hazard Control programs and funds in eleven counties through October 31, 2003, as outlined above. CSD will apply for an extension of this grant, however funding was not awarded for Round IX.
- HCD will allocate federal administrative funding toward lead hazard control activities.
- DHS receives $250,000 to $400,000 annually from EPA to implement effective compliance and enforcement of the Lead-Related Construction Program. DHS also develops and distributes outreach and education materials with this funding. DHS receives $600,000 (fee-supported General Fund) for the implementation of the program.

Lead Hazard Control Strategy

Actions to abate lead-based paint hazards in the operation of State housing programs include the following:

- CSD will implement the HUD-funded Round VII grant as outlined above.
- CSD will monitor the performance of its network of agencies that provide weatherization services to assure compliance with the lead-safe work practices as outlined in CSD's Weatherization Installation Standards manual. CSD will also encourage and facilitate HCD's staff and grantees attendance at HUD and other lead hazard control training.
- In awarding funds to rehabilitate housing, HCD and California Housing Finance Agency (CHFA) require the identification and mitigation of lead-based paint hazards. CSD requires its network of weatherization service providers to follow lead-safe work practices when completing weatherization projects.
- DHS will continue to implement Title 17 to govern accreditation and certification of the lead hazard control industry and lead hazard control work.

C. ANTI-POVERTY STRATEGY

Based on the three-year average of State Poverty rate for years 1996-1998, determined by the U.S. Census Bureau, shows California has the tenth highest poverty rate of all states including District of Colombia. This information shows that 16.3 percent of the population in California lives below the poverty line, higher than the national average of 15 percent. The percent of Californians living at this level has continued to dramatically increase each year. Household types most affected by poverty include: female head-of-household, children, ethnic groups, and the elderly (census data reveals 25.4 percent of children live in poverty).

The State has established several goals to reduce poverty among its population:

- Provide a range of services and activities through its federal and State programs that have a measurable impact on conditions of poverty.
- Provide activities through its programs and services to assist low-income participants, including the elderly poor, to secure and retain employment, gain an adequate education, obtain and maintain affordable/accessible housing, obtain emergency assistance to meet immediate and urgent individual and family needs, including health services, housing and employment; and remove obstacles blocking the achievement of self-sufficiency. Also, support the youth aging out of foster care programs as well as the economic factors of employment opportunities through the CDBG General and Economic Development Allocation programs. Given the above stated goal, DSS encourages an increased allotment of resources, fiscal as well as training and other resources, to meet the needs of youth aging out of foster care.
- Coordinate and collaborate linkages between governmental and other social service programs to assure the effective delivery of such services to low-income individuals.
- Encourage the private sector to become involved in efforts to alleviate poverty.

Several State departments administer programs that directly respond to the needs of those individuals/families in poverty. These programs are continually assessed to determine their effectiveness and appropriateness in meeting the needs and providing the resources they need to break the cycle of poverty. The goal of these programs is the acquisition of skills, knowledge and motivation necessary for California's poor to become self-sufficient. To meet the needs of the low-income population, HCD continues to target funding priorities and objectives through its various service programs.

1. ECONOMIC DEVELOPMENT AND EMPLOYMENT PROGRAMS

CalWORKS Program

In 1996, Congress enacted the Personal Responsibility and Work Opportunity Act that established the Temporary Assistance to Needy Families (TANF) program. The federal bill provides funding to the states through a block grant, which allows the states substantial flexibility in designing and administering their programs.

As a result, California established the CalWORKs Program, which provides eligible families with cash aid and services. The Program serves all 58 counties in the State and is operated locally by county welfare departments.

The CalWORKs Welfare-to-Work program is designed to encourage self-sufficiency and personal responsibility. CalWORKs requires adult recipients to participate in welfare-to-work activities designed to assist them to obtain or prepare for employment. Unless exempt, participants must meet specific participation requirements. Supportive services such as childcare and transportation are provided to assist individuals participate in their required program activities or accept work. Mental health, substance abuse, and domestic abuse services are also provided if these issues interfere with the individual's ability to participate in welfare-to-work activities and obtain or retain employment. Counties have the option to provide or assist recipients in obtaining retention services, which may include assistance with housing.

Economic Development Programs

The Trade, Technology and Commerce Agency administer four types of economic development areas: 39 Enterprise Zones, two Manufacturing Enhancement Areas, one Targeted Tax Area, and Local Area Military Base Recovery Areas. Each of these programs is designed to stimulate development in selected economically depressed areas. Special State and local incentives (i.e., various types of State tax credits, reduction or elimination of local permit and construction-related fees, etc.) encourage business investment and promote the creation of new jobs.

Companies conducting business in an economic development area can earn a substantial credit against their California Franchise Tax by hiring from specific groups. Target groups include individuals who live in specific low-income areas or who have barriers to employment such as those who are eligible for the Job Training Partnership Act (JTPA), Work Opportunity Tax Credit (WOTC), CalWORKs, or who have similar employment characteristics.

Employer Tax Credits

The WOTC provides a credit against federal tax to employers who hire high risk youth, ages 18-24, or qualified summer youth, ages 16-17, who are residents of Empowerment Zones or Enterprise Communities. The WOTC also provides federal tax credit incentives to employers hiring individuals from various other groups including qualified recipients of the TANF program, qualified veterans, and vocational rehabilitation referrals.

Employment Training

EDD also administers the JTPA. The purpose of JTPA, which is being replaced by the Workforce Investment Act (WIA), is to "establish programs to prepare youth and unskilled adults for entry into the labor force and to afford job training to those economically-disadvantaged individuals or individuals facing serious barriers to employment, who are in special need of such training to obtain productive employment". To increase the effectiveness of job training programs at the local level, JTPA/WIA combines the efforts of business and government to work together in designing, implementing and managing job training programs.

JTPA/WIA allows flexibility of job training services to meet the local diverse needs of adults, youth, older and veteran populations and to address worker dislocation, offering:

- Pre-Employment Training – Includes introduction to the world of work, awareness of what employers expect, bilingual education, remedial education and basic skill training.
- Vocational or Classroom Skill Training – Combines teaching with "hands on" experience for applicants who want to work, but lack vocational skills. Adult basic education and general education development (GED) preparation classes are also available.
- On-The-Job Training (OJT) – Reimburses employers with as much as 50 percent of the first six months' wages while new employees are trained.
- Customized Training – Prepares applicants to meet requirements for a job within local company or industry. The companies must agree to hire screened individuals who satisfactorily complete training and meet company employment standards.

In addition to the JTPA/WIA Program, EDD administers the Welfare-to-Work (WtW) Grant Program, which provides transitional employment assistance to hard-to-employ welfare recipients. The Program is administered at the local level by Private Industry Councils. State and local government are allowed maximum discretion to design and implement WtW programs that meet the needs of the hard-to-employ. Some of the means used by the Program to move hard-to-employ welfare recipients into and help them keep unsubsidized employment include:

- community service or work experience programs;
- job creation through public or private sector employment wage subsidies;
- OJT training;
- contracts with public or private providers of readiness, placement and post-employment services;
- job vouchers for placement, readiness, and post-employment services; and
- job retention or support services, if such services are not otherwise available.

HCD's DCA administers various loan/grant and technical assistance programs for the development of employment opportunities through economic development. These programs include State CDBG Community and Economic Development Planning/Technical Assistance Grants and State CDBG Economic Development Allocation. CDBG Community and Economic Development Planning/Technical Assistance Grants assist communities in assessing the feasibility of economic, housing, and community development projects. CDBG technical assistance activities include assistance to tribal organizations, colonias, profit and nonprofit organizations, and local governments to obtain and administer housing, infrastructure, community and economic development project funds.

The CDBG Economic Development Allocation makes awards under two funding components: the Enterprise Fund and the Over-the-Counter (OTC) program. Generally, these awards create or retain jobs for low-income households and facilitate assistance to microenterprises in rural communities.

CSD assists low-income Californians to achieve self-sufficiency. Through its network of community-based organizations, CSD administers resources from all levels of government and the private sector to address the immediate needs of low-income people to help them acquire the skills, knowledge, and motivation they need to become economically self-reliant.

CSD administers the Community Services Block Grant (CSBG) Program. The CSBG Program has an established network of service providers throughout California. Over 70 local governments and nonprofit agencies are funded through the CSBG Program with over 40 funded to provide services relating to employment. Some of the ways CSBG is used to assist low-income families and individuals include:

- Education and Skills Training
- Shelter Workshop Employment
- Work Experience and On-the-Job Training (OJT)
- Nutritional and Health Care Needs
- Promote Healthy and Stable Living Environments for Children
- Job Counseling, Search, Placement and Development
- Homebound Employment
- Citizen Education
- Youth Mentoring
- Employment Outreach
- Vocational Services

In addition to the above-mentioned programs funded through the CSBG, is also a mandatory Workforce Investment Act (WIA) partner, and works jointly with the California State Office of Workforce Investment to ensure coordination between CSD's contractor network and the local Workforce Investments Boards.

2. HOUSING PROGRAMS

Housing programs administered by HCD's DCA addresses the need to combat poverty by increasing income through the development of housing with employment components or providing assistance in economic development. Existing employment/training programs (e.g., JTPA, area redevelopment agencies, etc.) are often utilized by the developers of these projects. Another federal program administered by HCD is the Section 8 Housing Assistance Program (HAP). The purpose of the program is to provide affordable/accessible rental units for very low- and low-income households.

With the passage of Proposition 46, the Housing and Emergency Shelter Trust Fund Act of 2002, $2.1 billion was allocated to HCD and Cal-HFA to administer existing and new programs over a six year period.

HCD administers more than 20 programs awarding loans and grants to hundreds of local public agencies, private for- and non-profit housing developers, and service providers every year. This money supports the construction, acquisition, rehabilitation and preservation of affordable rental and ownership housing, child care facilities, homeless shelters and transitional housing, public facilities and infrastructure, and the development of jobs for low-income workers. CalHFA's programs are detailed in Appendix 1.

Emergency shelter and transitional and permanent housing programs for homeless persons typically seek to help homeless persons get out of poverty. These programs help stabilize the shelter situation of homeless persons so that they can address their income problems. The types of services provided include counseling, referrals to employment or employment training, childcare while pursuing employment or training, clothes in which to seek employment or training, and a place to receive messages.

3. COORDINATION EFFORTS

HCD as administrator of the State CDBG, HOME, and ESG programs, DHS as administrator of the HOPWA Program, and CSD as administrator of the lead-based paint grants, coordinate with other program providers, local, State, and federal governmental entities, non- and for-profit entities, professional organizations, interest groups, and other parties interested in the implementation of federal programs. Further, the State sponsors annual workshops at regional locations regarding program application procedures and grant management requirements for the various federal programs.

HCD's DCA has taken the lead in facilitating several coordinating efforts among its programs that include HOME and CDBG. First, HOME and CDBG staff have met to discuss cross-cutting issues such as implementation of common federal overlay requirements. Discussions were focused upon standardization, where appropriate, of procedures.

Further, as a result of the Proposition 46 infusion of State housing bond money into HCD, HOME has met with the other major rental housing programs to coordinate underwriting policies and procedures. Similarly, State funded homeownership programs met with HOME to coordinate single-family underwriting criteria. These underwriting criteria will be implemented in a uniform regulation package that DCA is pursuing. In addition, a common application is being explored. It is anticipated that this will result in some common information being shared between funding programs.

HCD has received approval to contract for building a new software system that will be used by HOME, CDBG and ESG. The new system will replace the current software, City Software. Its expanded capabilities include real-time gathering of reporting information, monitoring information and automatically producing management reports for staff use.

DHS' Office of AIDS is the State's clearinghouse agency for statewide programs and activities that pertain to HIV/AIDS. The OA emphasizes the integration of representatives of HIV/AIDS service agencies, other State departments (such as Corrections, Housing, Rehabilitation, Mental Health, Developmental Services and Alcohol and Drug Programs), local health departments, the UC System University-wide AIDS Research Program, and others in information gathering, research and decision-making processes. The annual Interagency AIDS Coordinating Council includes numerous State departments in the review of AIDS service delivery and prevention/education efforts.

Additionally, the OA requires that local planning groups be formed to include representatives of HIV/AIDS care and prevention service agencies, health department representatives, local affordable housing and homeless agencies, representatives of the post incarcerated populations, and agencies that address the needs of the mentally ill, substance abusing or other disabled population. These planning groups are charged with development of local HIV service plans that address the need for linking care, treatment and prevention service agencies and clinics providing services to the same population.

The OA also participates on the Supportive Housing Board of the Department of Mental Health in support of their Supportive Housing Initiative.

HCD has been meeting and will continue to meet on a quarterly basis with the DSS Work Services Branch on common issues. Regular collaboration allows both departments to aggressively seek opportunities to coordinate efforts in meeting welfare reform objectives, including providing housing as a supportive service to eligible CalWORKs recipients. Additionally, these efforts promote program commonalties, maximize resources, integrate eligibility requirements where possible, share "best practices" and promote collaboration efforts at the local level. The two departments have been discussing impediments to welfare recipients transitioning to work, including the lack of affordable/accessible housing. For example, DSS provided input to the CDBG State Objectives to ensure proposed activities will include collaboration with county welfare directors.

CDBG staff participates in the California Financing Coordinating Committee (CFCC), which was formed to enhance coordination among the agencies that fund local water and wastewater projects. The USDA Rural Development, the USDA Rural Utilities, State Water Resources Control Board (SWRCB), Department of Water Resources, Department of Health Services, Trade, Technology and Commerce Agency's Infrastructure and Economic Development Bank, and HCD have entered into a joint Memorandum of Understanding to promote cooperation and reduce administrative demands for funding recipients. The CFCC presents "Funding Fair" workshops each year throughout the State in order to provide direct technical assistance to communities seeking funding for their water and sewer infrastructure needs.

CDBG Economic Development Allocation staff sits on the State Trade, Technology and Commerce Agency's Sudden and Severe Economic Dislocation and Old Growth (timber harvest restrictions) loan committees. These funds target areas of the State that have lost employment opportunities due to plant closures. In addition, ED staffs are members of the Agency's Mill Reuse Project Team, which is facilitating the cleanup and redevelopment of abandoned wood products mill sites. In many cases, HCD and the Agency are funding partners in projects that further their respective programs' objectives.

HCD staff will continue to participate in meetings with professional associations, including the Council of State Community Development Agencies, the California Rural Housing Coalition, the National Association of Housing and Redevelopment Officials, the Association of California Redevelopment Agencies, the California Association for Microenterprise Opportunity, the California Association for Local Economic Development and a host of other organizations that have an interest in the State's implementation of HUD programs. In addition, the State has an ongoing dialogue with a variety of private and public lenders about how to resolve coordination problems with projects that propose to use multiple funding sources consistent with leverage and match provisions of the State-operated federal programs.

HCD continues to meet annually with TCAC and Cal-HFA to discuss issues common to the respective programs. Coordination between the three agencies is also accomplished through overlapping board memberships. The Director of HCD serves on the board of CalHFA; and the HCD Director and the Executive Director of Cal-HFA serve as members of TCAC.

HCD collaborates with the SWRCB, which administers the State Revolving Fund (SRF) and other subvention programs providing grants and low-interest loans (see CFCC, above). These loans or grants are used to aid small communities (less than 5,000 residents) in planning, design, and construction of wastewater treatment facilities and wastewater recycling projects. They also are used to correct non-point source and storm water pollution problems, and provide estuary enhancement programs and projects.

Coordination of supportive services for the non-homeless is discussed at length in the State Profile (see the Supportive Housing section of the Consolidated Plan).

HCD staff is members of the Supportive Services Council and the Mental Health Planning Council with the Department of Mental Health. The HCD Director is a member of the Long Term Care Council to coordinate long-term care in California. This Council is chaired by the Health and Human Services Agency. The Council includes the Departments of Developmental Services, Health Services, Rehabilitation, Mental Health, Social Services, Aging, Veteran Affairs and HCD.

II. DRAFT ANNUAL NONHOUSING COMMUNITY DEVELOPMENT PLAN

The subject of this section of the NHCDP is a one-year investment plan for the use of CDBG funds for non-housing community development activities. The funds will be distributed by HCD in the areas of the State that are eligible for participation in the State CDBG program.

***OBJECTIVE A*:** **Expand economic opportunity, primarily for low-income persons and households, to mitigate the effects of slums and blight, and to meet urgent needs.**

The activities and programs in support of Objective A are described above. In the first year of the Consolidated Plan, each of these programs and activities reflect all of the described features of the economic development program.

***OBJECTIVE B*:** **Promote meeting non-housing community development needs other than economic development.**

The activities and programs in support of Objective B will be the same as those described above for the five-year Consolidated Plan period.

SPECIFIC OBJECTIVES

In accordance with the State of California regulations, 30 percent of CDBG funds will be reserved for funding economic development activities. Ten percent of economic development funds will be reserved for economic development planning grants and technical assistance activities.

It is expected that in the fourth year of the Consolidated Plan, 350 jobs will be created or retained through use of State CDBG economic development funds. This includes the activities of both the Over-the-Counter and Enterprise Fund programs. In the Enterprise Fund program, it is expected that 25 grants will be made to fund local economic development programs during each program year.

III. CERTIFICATIONS

A. General

In accordance with the applicable statutes and the regulations governing the consolidated plan regulations, the State certifies that:

Affirmatively Further Fair Housing – The State will affirmatively further fair housing, which means it will conduct an analysis of impediments to fair housing choice within the State, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting that analysis and actions in this regard.

Anti-displacement and Relocation Plan – It will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, and implementing regulations at 49 CFR 24; and it has in effect and is following a residential anti-displacement and relocation assistance plan required under Section 104(d) of the Housing and Community Development Act of 1974, as amended, in connection with any activity assisted with funding under the CDBG or HOME Programs.

Drug Free Workplace – It will or will continue to provide a drug-free workplace by:

1. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition.

2. Establishing an ongoing drug-free awareness program to inform employees about:

   - the dangers of drug abuse in the workplace;
   - the grantee's policy of maintaining a drug-free workplace;
   - any available drug counseling, rehabilitation, and employee assistance programs; and
   - the penalties that may be imposed upon employees for drug abuse violations occurring in the workplace.

3. Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph 1.

4. Notifying the employee in the statement required by paragraph 1 that, as a condition of employment under the grant, the employee will:

   (a) Abide by the terms of the statement; and
   (b) Notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction.

5. Notifying the agency in writing, within ten calendar days after receiving notice under subparagraph 4(b) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant.

6. Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph 4(b), with respect to any employee who is so convicted:

   (a) Taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or
   (b) Requiring such employee to participate satisfactorily in a drug abuse Assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency.

7. Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs 1, 2, 3, 4, 5 and 6.

Anti-Lobbying – To the best of the State's knowledge and belief:

1. No federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative agreement;

2. If any funds other than federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions; and

3. It will require that the language of paragraphs 1 and 2 of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients shall certify and disclose accordingly.

Authority of State – The submission of the Consolidated Plan is authorized under State law and the State possesses the legal authority to carry out the programs under the Consolidated Plan for which it is seeking funding, in accordance with applicable HUD regulations.

Consistency with Plan – The housing activities to be undertaken with CDBG, HOME, ESG, and HOPWA funds are consistent with the strategic plan.

Section 3 – The State will comply with section 3 of the Housing and Urban Development Act of 1968, and implementing regulations at 24 CFR Part 135.

______________________________ ____________________
Matthew O. Franklin, Director Date

B. Specific CDBG Certifications

The State certifies that:

Citizen Participation – It is in full compliance and following a detailed citizen participation plan that satisfies the requirements of 24 CFR §91.115 and each unit of general local government that receives assistance from the State is or will be following a detailed citizen participation plan that satisfies the requirements of 24 CFR §570.486.

Consultation with Local Governments – It has or will comply with the following:

1. It has consulted with affected units of local government in the nonentitlement area of the State in determining the method of distribution of funding;
2. It engages in or will engage in planning for community development activities;
3. It provides or will provide technical assistance to units of local government in connection with community development programs; and
4. It will not refuse to distribute funds to any unit of general local government on the basis of the particular eligible activity selected by the unit of general local government to meet its community development needs, except that a State is not prevented from establishing priorities in distributing funding on the basis of the activities selected.

Local Needs Identification – It will require each unit of general local government to be funded to identify its community development and housing needs, including the needs of low-income and moderate-income families, and the activities to be undertaken to meet these needs.

Community Development Plan – The Consolidated Housing and Community Development Plan identifies community development and housing needs and specifies both short- and long-term community development objectives that have been developed in accordance with the primary objectives of Title I of the Housing and Community Development Act of 1974, as amended (see 24 CFR §570.2 and 24 CFR §570).

Use of Funds – It has complied with the following criteria:

1. Maximum Feasible Priority. With respect to activities expected to be assisted with CDBG funds, it certifies that it has developed its Action Plan so as to give maximum feasible priority to activities that benefit low- and moderate-income families or aid in the prevention or elimination of slums or blight. The Action Plan may also include activities that the grantee certifies are designed to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community, and other financial resources are not available.

2. Overall Benefit. The aggregate use of CDBG funds including Section 108 guaranteed loans during program year(s) 2003-2004, shall principally benefit persons of low- and moderate-income in a manner that ensures that at least 70 percent of the amount is expended for activities that benefit such persons during the designated period.

3. Special Assessments. The State will require units of general local government that receive CDBG funds to certify to the following:

   It will not attempt to recover any capital costs of public improvements assisted with CDBG funds including Section 108 loan guaranteed funds by assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements.

   However, if CDBG funds are used to pay the proportion of a fee or assessment that relates to the capital costs of public improvements (assisted in part with CDBG funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds.

   It will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108, unless CDBG funds are used to pay the proportion of fee or assessment attributable to the capital costs of public improvements financed from other revenue sources. In this case, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. Also, in the case of properties owned and occupied by moderate-income (not low-income) families, an assessment or charge may be made against the property for public improvements financed by a source other than CDBG funds if the jurisdiction certifies that it lacks CDBG funds to cover the assessment.

Excessive Force – It will require units of general local government that receive CDBG funds to certify that they have adopted and are enforcing:

1. A policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and

2. A policy of enforcing applicable State and local laws against physically barring entrance to or exit from a facility or location which is the subject of such non-violent civil rights demonstrations within its jurisdiction.

Compliance With Anti-discrimination Laws – The grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 USC 2000d), the Fair Housing Act (42 USC 3601-3619), and implementing regulations.

Lead-Based Paint – Its notification, inspection, testing and abatement procedures concerning lead-based paint will comply with the requirements of 24 CFR §570.608;

Compliance with Laws – It will comply with applicable laws.

______________________________ ____________________

Matthew O. Franklin, Director Date

C. Specific HOME Certifications

The State certifies that:

Tenant Based Rental Assistance – If the participating jurisdiction intends to provide tenant based rental assistance:

The use of HOME funds for tenant based rental assistance is an essential element of the participating jurisdictions consolidated plan for expanding the supply, affordability, and availability of decent, safe, and affordable housing.

Eligible Activities and Costs – It is using and will use HOME funds for eligible activities and costs, as described in 24 CFR §92.205 through §92.209 and that it is not using and will not use HOME funds for prohibited activities, as described in §92.214.

Appropriate Financial Assistance – Before committing any funds to a project, the State or its recipients will evaluate the project in accordance with the guidelines that it adopts for this purpose and will not invest any more HOME funds in combination with other Federal assistance than is necessary to provide affordable housing.

Consolidated Plan – It is following a current HUD-approved Consolidated Plan or CHAS.

______________________________	____________________
Matthew O. Franklin, Director	Date

D. ESG Certifications

STATE GRANTEE
EMERGENCY SHELTER GRANTS PROGRAM
FY 2003 CERTIFICATIONS

I, Matthew O. Franklin, Director, authorized to act on behalf of the State of California, certify the State will ensure compliance by units of general local government and nonprofit organizations to which it distributes funds under the Emergency Shelter Grants Program with:

(1) The requirements of 24 *CFR* 576.25(b)(2) concerning the submission by nonprofit organizations applying for funding of a certification of approval of the proposed project(s) from the unit of local government in which the proposed project is located.

(2) The requirements of 24 *CFR* 576.53 concerning the continued use of buildings for which Emergency Shelter Grant funds are used for rehabilitation or conversion of buildings for use as emergency shelters for the homeless; or when funds are used solely for operating costs or essential services, concerning the population to be served.

(3) The building standards requirement of 24 *CFR* 576.55.

(4) The requirements of 24 *CFR* 576.56, concerning assurances on services and other assistance to the homeless.

(5) The requirements of 24 *CFR* 576.57, other appropriate provisions of 24 *CFR* Part 576, and other applicable Federal law concerning nondiscrimination and equal opportunity.

(6) The requirements of 24 *CFR* 576.59(b) concerning the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970.

(7) The requirements of 24 *CFR* 576.59 concerning minimizing the displacement of persons as a result of a project assisted with these funds.

(8) The requirements of 24 *CFR* 576.56(a) and 576.65(b) that grantees develop and implement procedures to ensure the confidentiality of records pertaining to any individual provided family violence prevention or treatment services under any project assisted under the Emergency Shelter Grants Program and that the address or location of any family violence shelter project assisted with ESG funds will not be made public, except with written authorization of the person or persons responsible for the operation of the shelter.

(9) The requirement of that recipients involve, to the maximum extent practicable, homeless individuals and families in constructing, renovating, maintaining, and operating facilities assisted under the ESG program, and in providing services for occupants of these facilities as provided by 24 *CFR* 576.56(b)(2).

(10) The requirements of 24 *CFR* 576.21(a)(4) which provide that the funding of homeless prevention activities for families that have received eviction notices or notices of termination of utility services meet the following standards: (A) that the inability of the family to make the required payments must be the result of a sudden reduction in income; (B) that the assistance must be necessary to avoid eviction of the family or termination of the services to the family; (C) that there must be a reasonable prospect that the family will be able to resume payments within a reasonable period of time; and (D) that the assistance must not supplant funding for preexisting homeless prevention activities from any other source.

(11) The new requirement of the McKinney-Vento Act, 42 U.S.C. 11301, to develop and implement, to the maximum extent practicable and where appropriate, policies and protocols for the discharge of persons from publicly funded institutions or systems of care (such as health care facilities, foster care or other youth facilities, or correction programs and institutions) in order to prevent such discharge from immediately resulting in homelessness for such persons. I further understand that State and local governments are primarily responsible for the care of these individuals, and that ESG funds are not to be used to assist such persons in place of State and local resources.

(12) The Drug Free Workplace requirements of 24 *CFR* Part 24 concerning the Drug Free Workplace Act of 1988.

(13) The State will comply with the provisions of, and regulations and procedures applicable under 24 *CFR* 576.57(e) with respect to the environmental review responsibilities under the National Environmental Policy Act of 1969 and related authorities as specified in 24 *CFR* Part 58 as applicable to activities of nonprofit organizations funded directly by the State. The State also agrees to assume the Department's responsibility and authority as set forth in 24 *CFR* 576.57(e) for acting on the environmental certifications and requests for the release of funds submitted to the State by local government recipients.

(14) The State's requirement to provide matching funds required by 24 CFR 576.51 and 42 U.S.C. 11375, including a description of the sources and amounts of such supplemental funds, as provided by the State, units of general local government or nonprofit organizations.

(15) HUD's standards for participation in a local Homeless Management Information System (HMIS) and the collection and reporting of client-level information.

I further certify that the submission of a complete and approved Consolidated Plan with its relevant certifications, which is treated as the application for an Emergency Shelter Grant, is authorized under State law, and that the State possesses legal authority to fund the carrying out of grant activities by units of general local government and nonprofit organizations in accordance with applicable laws and regulations of the Department of Housing and Urban Development.

By: ____

Signature and Date

_______________Matthew O. Franklin, Director__________

Typed Name & Title of Signatory

E. HOPWA Certifications

The State HOPWA grantee certifies that:

Activities – Activities funded under the program will meet urgent needs that are not being met by available public and private sources.

Building – Any building or structure assisted under the program shall be operated for the purpose specified in the plan:

1. For at least 10 years in the case of any building or structure purchased, leased, rehabilitated, renovated, or converted with HOPWA assistance.

2. For at least 3 years in the case of assistance involving non-substantial rehabilitation or repair of a building or structure.

______________________________ ____________________

Matthew O. Franklin, Director Date

APPENDIX TO CERTIFICATIONS

INSTRUCTIONS CONCERNING LOBBYING AND DRUG-FREE WORKPLACE REQUIREMENTS:

- Lobbying Certification

  This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

- Drug-Free Workplace Certification

1. By signing and/or submitting this application or grant agreement, the grantee is providing the certification.

2. The certification is a material representation of fact upon which reliance is placed when the agency awards the grant. If it is later determined that the grantee knowingly rendered a false certification, or otherwise violates the requirements of the Drug-Free Workplace Act, HUD, in addition to any other remedies available to the Federal Government, may take action authorized under the Drug-Free Workplace Act.

3. For grantees other than individuals, Alternate I applies (this is the information to which jurisdictions certify).

4. For grantees that are individuals, Alternate II applies (not applicable jurisdictions).

5. Workplaces under grants, for grantees other than individuals, need not be identified on the certification. If known, they may be identified in the grant application. If the grantee does not identify the workplaces at the time of application, or upon award, if there is no application, the grantee must keep the identity of the workplace(s) on file in its office and make the information available for Federal inspection. Failure to identify all known workplaces constitutes a violation of the grantee's drug-free workplace requirements.

6. Workplace identifications must include the actual address of buildings (or parts of buildings) or other sites where work under the grant takes place. Categorical descriptions may be used (e.g., all vehicles of a mass transit authority or State highway department while in operation, State employees in each local unemployment office, performers in concert halls or radio stations).

7. If the workplace identified to the agency changes during the performance of the grant, the grantee shall inform the agency of the change(s), if it previously identified the workplaces in question (see paragraph five).

8. The grantee may insert in the space provided below the site(s) for the performance of work done in connection with the specific grant:

   Place of Performance (Street address, city, county, state, zip code):

   ____
   ____
   ____

   Check ____ if there is workplaces on file that are not identified here; the certification with regard to the drug-free workplace required by 24 CFR part 24, subpart F.

9. Definitions of terms in the Nonprocurement Suspension and Debarment common rule and Drug-Free Workplace common rule apply to this certification. Grantees' attention is called, in particular, to the following definitions from these rules:

   "Controlled substance" means a controlled substance in Schedules I through V of the Controlled Substances Act (21 U.S.C.812) and as further defined by regulation (21 CFR 1308.11 through 1308.15).

   "Conviction" means a finding of guilt (including a plea of nolo contendere) or imposition of sentence, or both, by any judicial body charged with the responsibility to determine violations of the Federal or State Criminal drug statutes.

   "Criminal drug statute" means a Federal or non-Federal criminal statute involving the manufacture, distribution, dispensing, use, or possession of any controlled substance.

   "Employee" means the employee of a grantee directly engaged in the performance of work under a grant, including: (i) All "direct charge" employees; (ii) all "indirect charge" employees unless their impact or involvement is insignificant to the performance of the grant; and (iii) temporary personnel and consultants who are directly engaged in the performance of work under the grant and who are on the grantee's payroll. This definition does not include workers not on the payroll of the grantee (e.g., volunteers, even if used to meet a matching requirement; consultants or independent contractors not on the grantee's payroll; or employees of subrecipients or subcontractors in covered workplaces).

GLOSSARY

DEFINITIONS

Income Groups**:** The Consolidated Plan includes coverage of the following income groups.

- Extremely low
- Other very low
- Very low
- Other low
- Low-income
- Federal-moderate
- Federal above moderate

The final HUD rule governing preparation of Consolidated Plans changed the income group terminology from that which was used in the CHAS. This Consolidated Plan retains the CHAS terminology (except for using Extremely Low Income as the lowest income category). This retains consistency between the Consolidated Plan, the CHAS for 1994 to 1998, and State planning documents including the California Statewide Housing Plan.

The Table below shows the equivalent terms in the Consolidated Plan (including this Annual Plan), the CHAS, the Consolidated Plan Rule, the National Affordable Housing Act (NAHA), and California law.

TERMS

Cal-HFA	California Housing Finance Agency
CFCC	California Financing Coordinating Committee
DCA	Division of Community Affairs
DMH	Department of Mental Health
FFY	Federal Fiscal Year
HCD	Department of Housing and Community Development
HR	Housing Rehabilitation
HUD	Housing and Urban Development
HOPWA	Housing Opportunities for Persons With AIDS
JTPA	Job Training Partnership Act
LIHEAP	Low-Income Home Energy Assistance Program
NOFA	Notice of Funding Availability
OTC	Over-the-Counter – The term used for funds for which applications are accepted by HCD on a continuous basis for the period during which the funds are available (in contrast to a shorter time-limited application period)
PATH	Partnership for Advanced Technology in Housing
PHH	Permanent Housing for the Handicapped Homeless
PLWH	Persons Living with HIV/AIDS
RALF	Residential AIDS Licensed Facilities
SRF	State Revolving Fund
SWRCB	State Water Resources Control Board
TANF	Temporary Assistance to Needy Families
TCAC	Tax Credit Allocation Committee
TIG	Target Income Group
WAP	Weatherization Assistance Program
WIA	Workforce Investment Act
WOTC	Work Opportunity Training Tax Credit

IV. RESPONSES TO PUBLIC COMMENTS

TO BE PROVIDED UNDER SEPARATE COVER

APPENDIX 1

Cal-HFA PROGRAMS

HOMEOWNERSHIP PROGRAMS
Contact Person: Gerald Smart -- (916) 324-4649

FIRST-TIME HOMEBUYER -- This Program provides permanent loans for home purchase to first-time homebuyers, including buyers in federally designated targeted areas. The Program utilizes tax exempt Mortgage Revenue Bond (MRB) financing.

AFFORDABLE HOUSING PARTNERSHIP PROGRAM -- This Program combines the resources of CHFA and local government entities to provide both a lower CHFA first mortgage rate and locality down payment assistance for first-time homebuyers.

SELF HELP BUILDER ASSISTANCE PROGRAM (SHBAP) -- SHBAP provides development loans to assist non-profit self-help developers with certain acquisition and development costs, and provides permanent mortgages for the first-time homebuyers involved in the mutual self-help developments.

NON-PROFIT HOUSING PROGRAM -- This Program provides permanent loan commitments with interest rate locks to non-profit developers at reduced cost and interest rates for affordable projects for first-time homebuyers.

CHFA/RURAL DEVELOPMENT LEVERAGED PARTICIPATION PROGRAM -- In addition to making first mortgages to homebuyers in rural areas through the Section 502 loan program, USDA Rural Development makes amortizing second mortgages for home purchase. CHFA provides a lower interest rate on a first mortgage for first-time homebuyers receiving USDA Rural Development second loans.

100% LOAN PROGRAM – This Program provides lower interest rate first loans and deferred payment second mortgages for downpayment assistance.

HIGH COST AREA PROGRAM (HICAP) – This Program provides lower interest rate first loans with a special deferred payment second mortgage for downpayment assistance in selected high housing costs areas.

EXTRA CREDIT TEACHER PROGRAM – This Program provides a CHFA first loan with a deferred payment forgivable interest second mortgage for downpayment assistance for credential teachers or principals who agree to work in low performing schools for a specific period of time.

CALIFORNIA HOMEBUYER'S DOWNPAYMENT ASSISTANCE PROGRAM (CHDAP) – This Program provides low interest deferred payment downpayment or closing costs assistance junior mortgages.

SCHOOL FACILITY FEE DOWNPAYMENT ASSISTANCE PROGRAM – This grant Program provides downpayment or closing cost assistance for purchasers of newly constructed homes.

APPENDIX 1

HELP PROGRAMS
Contact: Doug Smoot - (916) 322-1325

HOUSING ENABLED BY LOCAL PARTNERSHIPS (HELP) PROGRAM -- Designed to provide partnerships with local government entities consistent with locality affordable housing priorities, this program is committed to provide $20 million a year for 5 years (beginning in fiscal year 1998/99). This program provides 3% interest; deferred payment.

MULTIFAMILY FINANCE PROGRAMS
Contact Person: Linn Warren – (916) 327-3022

TAXABLE AFFORDABLE MORTGAGE PROGRAM -- This program is specifically designed for use with the 9% Low-Income Housing Tax Credits by both for- and non-profit borrowers.

PRESERVATION HOUSING PROGRAM -- This program is designed to provide taxable sources of funds for the acquisition or refinancing of at-risk affordable housing projects and is designed to be used by both for-profit and non-profit sponsors.

TAX EXEMPT AFFORDABLE MORTGAGE PROGRAM -- This program provides permanent financing for new construction and acquisition for affordable projects. The program is designed to be used with the 4% Low-Income Housing Tax Credit. The program also offers a tax-exempt bridge loan component that allows projects to qualify for the 4% tax credit and increased tax credit equity contributions.

ACQUISITION/REHABILITATION AFFORDABLE MORTGAGE PROGRAM -- This program provides permanent financing for affordable housing projects that will be acquired and rehabilitated utilizing tax exempt or taxable financing.

LOAN TO LENDER FINANCING – This program is available to eligible sponsors to help reduce the cost of construction financing for affordable housing projects by providing low cost funds to eligible construction lenders. Loan to Lender financing must be used in conjunction with CHFA permanent or special needs financing.

TAX-EXEMPT BRIDGE FINANCING – This program offers a tax-exempt bridge loan for projects receiving 4% tax credits at an amount necessary to ensure the award of the credits. The bridge loan term is one to three years and is available only with a permanent tax-exempt CHFA loan.

SPECIAL NEEDS HOUSING PROGRAM -- This program is designed to provide permanent, low-interest rate financing for sites that provide safe and sanitary housing to tenants needing assistance or supportive services. Populations include individuals with mental or physical disabilities, substance abuse, HIV/AIDS or other at-risk groups.

PREDEVELOPMENT LOAN PROGRAM (HOUSING ASSISTANCE) -- This program provides predevelopment capital to acquire site control, complete required studies and carry out preliminary planning, design, and government approvals prior to qualifying for construction and permanent financing. This program is available to qualified non-profit organizations only.

APPENDIX 2

California Trade, Technology and Commerce Agency
Economic Development Programs

Rural Economic Development Infrastructure Program (REDIP) - Provides low-cost loans to improve or expand public infrastructure needed to retain or create permanent, private sector jobs in eligible rural cities and counties.

California Infrastructure and Economic Development Bank (CIEDB) - Provides low-cost financing for a variety public infrastructure projects that support economic development. Provides tax-exempt industrial development bond financing, 501(c)(3) bond financing, and exempt-facility bond financing.

Small Business Development Centers - Provides free, in-depth, one-on-one confidential consulting, training and research services in areas such as business plan development, marketing, access to capital, manufacturing, technology development, export financing, human resource management, merchandising, finance, accounting, and legal matters.

California Economic Strategic Panel - Provides a process to undertake California's first statewide biennial economic development strategic planning effort. The Panel was commissioned by the Governor to develop an overall economic vision and strategy to guide public policy.

Sudden and Severe Economic Dislocation Revolving Loan Fund - Works jointly with private lending and investment sources to complete projects which would not normally qualify for conventional financing. It provides capital leading to the creation and retention of jobs in areas of the State affected by plant and military base closures, defense downsizing, industry layoffs, federally-declared disaster areas and other economic problems that have contributed to job loss in California.

OSB Financial Assistance Unit - Provides loans and loan guarantees to small businesses that are having difficulty qualifying for credit that they need from private sector lenders.

LOW INCOME TAX CREDIT PROGRAM
CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Telephone: (916) 654-6340

The California Tax Credit Allocation Committee (TCAC) administers two low-income housing tax credit programs -- a federal program and a State program. Both programs were authorized to encourage private investment in rental housing for low- and lower-income families and individuals.

Congress authorized the federal program (Credit Program) in 1986. It replaced traditional housing tax incentives, such as accelerated depreciation, with a tax credit that enables low-income housing sponsors and developers to raise project equity through the sale of tax benefits to investors.

The Credit Program is contained in the federal tax code and is administered by the Internal Revenue Service, which is part of the U.S. Treasury Department. Internal Revenue Code Section 42 specifies that, in each state, the state legislature designates the "housing credit agency" to administer the Credit Program. In California, responsibility for administering the program was assigned to TCAC, first by a February 1987 gubernatorial proclamation, and later by enactment of SB 113 (Chapter 658, Statutes of 1987).

The federal tax credit was granted permanent status with passage of the Omnibus Budget Reconciliation Act of 1993. Prior to receiving permanent program status, Congress authorized the Credit Program on an annual basis.

The State Program

Recognizing the high cost of developing housing in California, the legislature authorized a State low-income housing tax credit program to augment the federal tax credit program. Authorized by Chapter 1138, the State credit is only available to a project which has previously received, or is concurrently receiving, an allocation of federal credits. The State program does not stand alone, but instead, supplements the federal tax credit program.

Annual Federal Credits Available

In December 2000, Congress approved an increase to the housing tax credit cap. The housing tax credit cap increased from $1.25 per resident to $1.50, effective January 1, 2001, and will increase to $1.75 next January 1st, and will be indexed for inflation thereafter. Each state is allowed an annual housing credit ceiling of $1.25 per capita, and may qualify for a prorata share of credits available annually in a national pool comprised of states' unused credits. Also, any credits returned to a state from a credit recipient can be allocated to new projects. From the total ceiling amount available to California, the Committee allocates credit amounts based upon assessments of eligible project costs, as defined by IRC Section 42. The housing sponsor uses or sells ten times the allocation amount, since investors can take the annual credit each year for a ten-year period.

Although the credit is taken over a ten-year period, the Internal Revenue Code requires that the project remain in compliance for at least 15 years.

Annual State Credits Available

The annual State credit ceiling is currently set at $35,000,000 annually (in addition to any unused or returned credits from previous years). Investors take the State credit over a four-year period in contrast to the ten-year federal allocation period. The full four-year State credit allocated to a project is deducted from the ceiling, while only the annual federal credit allocated to a project is deducted from the federal ceiling.

Eligible Projects

Only rental housing projects are eligible for tax credits in both the federal and State programs. Credits can be allocated to new construction projects or projects undergoing rehabilitation. Credits are allocated on a competitive basis so that those meeting the highest housing priorities, as determined by the Committee, have first access to credits. Those utilizing tax credits must own the project for which the credits are awarded. Tax credits are allocated based on the cost basis of the project, including hard and soft development costs associated with building the project, but not including land costs and other non-depreciable items.

Rent and Income Restrictions

The Credit Program has both rent and income restrictions. Since 1990, rents on tax credit units cannot exceed 30 percent of an imputed income based on 1.5 persons per bedroom (i.e., in a two-bedroom unit, the income of a three-person household is used to calculate rent, regardless of the actual family size of the household). For projects allocated credits before 1990, rents must be at or below 30 percent of the qualifying income of the household occupying a unit.

Federal law requires that the initial incomes of households in tax credit units cannot exceed either 60 or 50 percent of the area median income, adjusted for household size. When a project developer or sponsor applies for tax credits, he or she irrevocably elects one of the following minimum federal set-aside requirements:

- a minimum of 40 percent of the units must be both rent-restricted and occupied by households whose incomes are 60 percent or less of the area median gross income, adjusted for family size, or
- 20 percent of the units must be both rent-restricted and occupied by households whose incomes are 50 percent or less of the area median gross income, adjusted for family size.

Despite this minimum set-aside election, project sponsors often designate all of the units in a project for occupancy by low-income households, since credits are allocated only for restricted units. For instance, if a developer builds a project in which half of the units are market-rate and half are affordable, only half of the eligible project costs would be considered when determining how much credit may be allocated. Additionally, as described below, sponsors generally target a certain number of units to tenants with incomes below 60 or 50 percent of median to compete successfully.

APPENDIX 3

Long Term Affordability

Under federal law, credit projects must remain affordable for at least 15 years; however, California law generally requires a 55-year compliance period. Regulatory agreements are recorded against each credit project to ensure compliance.

Determination of Credit Need

As required by federal law, the Committee performs feasibility analyses on every project to ensure that allocations do not exceed the amount required for project feasibility. While a project's qualified basis determines a maximum credit allocation, only the amount needed to fill the financing shortfall can actually be allocated. The Committee must consider the sources and uses of funds and the total financing planned for the development, including the projected proceeds to be generated by the sale of tax credits. The Committee must also determine the reasonableness of estimated development, operational and intermediary costs. For each project, the amount of credits needed must be determined at least three times, at application, allocation, and placed-in-service.

How Credit Amounts Are Calculated

In determining the amount of credit for which a project may be eligible, first, total project cost is calculated. Secondly, subtracting non-depreciable costs, such as land, permanent financing costs, rent reserves and marketing costs determine “eligible basis”. Next, the eligible basis is multiplied by the "applicable figure”, which is the smaller of, (1) the percentage of low-income units to total units, or, (2) the percentage of square footage of the low-income units to the square footage of the total units. This figure is known as the "qualified basis" of the project.

The qualified basis is multiplied by the federal tax credit rate, published monthly by the IRS, to determine the maximum allowable tax credit allocation. For projects that are new construction or rehabilitation, which are not financed with a federal subsidy, the rate is approximately 9 percent. For projects involving a federal subsidy (including projects financed more than 50 percent with tax exempt bonds), the rate is approximately 4 percent. A project’s final (placed-in-service) tax credit allocation is based on actual project sources and uses of funds, the financing shortfall and the actual applicable federal rate. The rate applicable to a project is the rate published for the month each building is placed in service or in an earlier month elected by the sponsor. The allocation cannot exceed the initial reservation amount and may be reduced if an analysis determines that the maximum allowable amount would generate excess equity proceeds to the project.

Raising Equity Investment

Most credits are sold to corporate or individual investors through public or private syndication. Investor’s benefit from the tax credit by purchasing an ownership interest in one or more tax credit housing projects. In turn, investors take a dollar-for-dollar credit against their tax liability over a ten-year period. Partnership equity contributed to the project in exchange for the credit typically finances 30-60 percent of the capital costs of project construction.

The net amount of equity proceeds contributed to a project is based on investor contributions (the present value of the ten-year credit) less syndication overhead and fees and other syndication-related costs. The Committee uses the net tax credit factor (net proceeds divided by the total 10-year tax credit allocation) to determine the credit amount needed.

APPENDIX 3

Differences Between the State and Federal Programs

California's tax credit program was structured to mirror the federal program with certain exceptions. In addition to the state credit only being available to projects that also receive a federal credit, other differences include:

- ♦ TCAC gives priority for state credit allocations to projects not located in a designated high cost area and those using HOME funds to finance eligible costs.
- ♦ The applicable percentage to be applied to the qualified basis for determining the amount of State credits is 30 percent for projects which are not federally subsidized, and 13 percent for projects which are federally subsidized, in contrast to 9% and 4% for the federal credit.
- ♦ State credits are not available for acquisition costs, except for projects that qualify as at-risk of being converted to market rate.
- ♦ The State program has a rate of return limitation. Any surplus revenues generated above the limitation must be used to reduce rents.

State Credits in Designated High Cost Areas

The authorizing legislation that created the state tax credit prohibited credit allocations to projects located in federally-designated high cost areas (HCAs). The prohibition was included to recognize that additional federal credits, in amounts derived by increasing eligible basis by 130 percent, are awarded to projects in HCAs, and thereby reduce the need for State credits. Once the HCAs were identified, it was noted that a significant portion of the State was deemed an HCA. In response, the legislature enacted Chapter 1485, Statutes of 1990 (AB 374), allowing state credit allocations in HCAs, but only if the federal credit is not increased above 100 percent of eligible basis. The State credit and the federal credit may be used together up to an amount that does not exceed the amount of federal credit that would be available after increasing eligible basis to 130 percent.

The Qualified Allocation Plan (QAP)

State allocating agencies must each design and implement a Qualified Allocation Plan (QAP) that establishes priorities for allocating the credit based on state and local needs. Section 42 requires allocating agencies to hold public hearings to consider public input on the QAP.

Federal law defines a QAP as a document which:

- ♦ Sets forth selection criteria to be used to determine housing priorities of the housing credit agency that are appropriate to local conditions;
- ♦ Gives preference in allocating housing credit dollar amounts among selected projects to (a) projects serving the lowest income tenants, and (b) projects obligated to serve qualified tenants for the longest period; and,
- ♦ Provides a procedure that the agency will follow in monitoring projects for noncompliance according to the provisions of IRC Section 42 and in notifying the IRS of such noncompliance.

APPENDIX 3

Section 42 also requires that the QAP include the following selection Criteria:

- Project location
- Housing needs characteristics
- Project characteristics sponsor characteristics
- Participation of local tax-exempt organizations
- Tenant populations with special housing needs
- Public housing waiting lists

Title 4, Chapter 17 of the California Code of Regulations (Regulations) also sets forth the policies and procedures governing the Committee's management of the Credit Program. In 1996, the Committee revised the Regulations to incorporate the QAP by reference.

Threshold Criteria

State law and the Committee's Regulations require that projects meet certain readiness criteria at the time an application is filed. If these are not met, an application is rejected.

These criteria effectively dissuade applicants from applying too soon before they are ready to build their project. Federal law imposes unforgiving deadlines both for allocating agencies and project sponsors to meet. Failure to meet these deadlines jeopardizes the Committee's ability to allocate all credits and could cause sponsors to lose credits.

Threshold criteria require that the applicant show the following:

- The type of housing proposed is needed and affordable to the targeted population within the community in which it is to be located;
- Enforceable financing commitments of at least 50 percent of the total estimated financing need;
- Control of the site;
- Compliance with all applicable local land use and zoning ordinances;
- Development team experience and financial capacity to ensure project completion and operation for the extended use period;
- Financial viability throughout the compliance period of the project;
- Minimum construction standards;
- All deferred-payment financing, grants, and subsidies be "committed" at application;
- And with the exception of tax-exempt bond projects, project size is limited to no more than 200 units for non-rural set-aside applications, and 80 units for rural set-aside applications.

In addition, targeted projects must meet additional threshold requirements as applicable to the targeted population. These additional threshold requirements can be found in the Regulations.

Application Cycles and TCAC Review Process

State law requires the Committee to hold two or more application cycles each year, unless circumstances warrant a reduction in the number of cycles. The first cycle is generally held in the first few months of the year, with a second cycle following in the late spring.

APPENDIX 3

Application Process

TCAC has prepared an application package that is intended to assist applicants to present clearly the characteristics of their project. Staff reviews the application to determine the reasonableness of project costs, the maximum allowable tax credit allocation, and the amount of credit needed for financial feasibility. The application review process generally takes about sixty days to complete.

Stages of Tax Credit Reservation

Federal law has stringent requirements for making allocations and placing projects in service. A slip in timing could cause the state to lose credits and not be able to access unused credits from other states. It is for this reason that the Committee has established progress requirements that ensure California is in compliance with federal law.

(1) Preliminary Reservation - Generally, when applications are submitted to TCAC, projects are not yet ready to begin construction and the applicant seeks a Preliminary

Reservation - An applicant has 270 days from the date of reservation to meet all milestones for a Final Reservation and to commence construction.

(2) Final Reservation - Project sponsors receive a Final Reservation when all conditions of the Preliminary Reservation have been met. The construction loan must be funded, permanent financing and any other financing required to complete the project must be committed, and a partnership agreement must be executed. A second feasibility analysis is completed. This reservation is in effect during the project's construction period.

(3) Carryover Allocation - An applicant may obtain a Carryover Allocation prior to or after a Final Reservation, depending upon the time constraints imposed by federal law. Currently, federal law requires that a Carryover Allocation be obtained if a project will not be placed-in-service in the same year the project receives a reservation. To qualify for a Carryover Allocation, an applicant must incur more than 10 percent of the project's anticipated basis upon completion by December 31st of the year of the Carryover Allocation. TCAC generally imposes an earlier deadline and requires applicants to purchase the land or execute a land lease. A financial feasibility analysis will also be performed before the allocation is made. Once a Carryover Allocation is made, project owners have until the end of the second calendar year after the year in which the Carryover Allocation is made to place the project in service.

(4) Issuance of Tax Forms - This is accomplished when conditions of the Final Reservation have been met and the project is placed in service. TCAC issues IRS Form 8609 (and the State Form FTB 3521A, if applicable) after performing a final feasibility and cost reasonableness analysis to determine the requisite amount of tax credits needed. The final analysis is based on an audited cost certification prepared by the owner's accountant. One tax form will be issued for each residential building in a project.

Before the tax forms are issued, the applicant must enter into a regulatory agreement with TCAC. This agreement is recorded against the land and holds the project owner to the specifications and characteristics of the project on which the tax credit reservation was awarded (rent and income restrictions, selection criteria, preference points and other requirements).

APPENDIX 3

Compliance Monitoring

The Committee administers a compliance-monitoring program involving all projects with an allocation of federal or state credits. Projects are monitored according to the requirements of Section 42, IRS regulations, and the terms of the regulatory agreement entered into between the owner and the Committee.

Farmworker Housing Assistance Program

Recognizing the urgent housing need for agricultural workers, the legislature enacted the Farmworker Housing Assistance Program (FHAP). Health and Safety Code Section 50199.5 1, Revenue and Taxation Code Sections 17053.14, 23608.2 and 23608.3, authorize the program. TCAC is currently authorized to allocate tax credit under the FHAP in the amount of $500,000 annually.

The FHAP provides owners who rehabilitate existing, or construct new, farmworker housing may receive a credit against their state income tax in an amount equaling 50 percent of the costs of rehabilitation or construction. The program also provides a credit to Lenders providing below market-interest rate loans to finance the construction or rehabilitation of farmworker housing. Banks or financial corporations are eligible for a tax credit in an amount equal to 50 percent of the difference between the market-rate interest income and the amount of interest charged for the farmworker housing project at a reduced interest rate.

In order to obtain the credit, owners and lenders must submit an application to TCAC, prior to the payment or incurrence of costs or funding of the loan that provides information regarding the proposed project. Such information will include, but not be limited to:

- project ownership structure;
- project location;
- project sources and uses;
- project operating income and expenses;
- financing information and loan amortization schedules.

Eligible types of housing include multifamily dwellings, single-family dwellings, mobile homes, or prefabricated housing. The owner of the farmworker housing project need not employ Farmworkers. Family projects, where all units are two-bedroom or larger will receive preference under the program. Occupants of the housing assisted by the FHAP must be farmworkers.

TCAC evaluates and ranks applications according to criteria set forth in its regulations. Criteria by which applications will be ranked include: readiness as determined by the amount of financing committed; and cost efficiency as determined by the total project cost per square foot. The amount of equity contributed in relation to the amount of credit requested will serve to break any tie between equally ranked projects.

APPENDIX 3

Owners and lenders will be allowed tax credit in an amount determined by TCAC based on certified costs once the project is placed-in-service. TCAC will issue TCAC form 353113, certification of credit. Owners may apply the credit against the current year's tax liability. If the credit received by the owner exceeds the owner's liability, the excess credit may be carried over and used in subsequent years. Credit received by lenders will be allowed in equal installments over a 10-year period. If the credit exceeds the liability, the excess may not be carried over into future years.

Farmworker housing owners receiving an allocation must agree to enter into an agreement with TCAC, which provides that the housing produced under the program, will be maintained as farmworker housing for a period of 30 years.

APPENDIX 4

State of California
Community Development Block Grant
(CDBG) Program
2003-2004 Allocation

HUD Allocation
$50,828,000

HUD Allocation
Available for Local Asst
$50,828,000

Colonias
$2,541,400

General Allocation
$30,464,655

Economic Development
Allocation
$15,248,400

Native American
Allocation
$635,350

General Program
$27,418,190

ED
P/TA
$1,524,840

General P/TA
$3,046,465

Over-The-Counter
$4,803,246

Cal Comm Economic
Enterprise Program
$8,920,314

APPENDIX 5

APPENDIX 5

CDBG 2003-2004 Allocation
STATE CDBG PROGRAMS

(Note: Eligibility is subject to HUD confirmation of eligibility at the actual beginning of the year.)

STATE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Eligible Jurisdictions
Program Year 2003-2004
(As of March 2003)

Note:

1. Counties whose names are typed in *italics* are entitlement jurisdictions and are not eligible for the State CDBG Program.
2. The cities listed in those counties are eligible for the State CDBG Program. This is not an official eligibility list. HUD makes all final decisions on the eligibility of a jurisdiction to participate in the CDBG program as an entitlement or nonentitlement jurisdiction. Several changes in eligibility status are currently pending.
3. All jurisdictions eligible for the State CDBG are also eligible to apply for funds under the general state-administered HOME program except for members of Home consortia. Except for Santa Barbara Home Consortium members Carpinteria and Guadalupe, none of the State CDBG eligible jurisdictions receive HOME funds directly from HUD.

Jurisdictions Eligible for State CDBG Program

Jurisdiction

Alpine County

Amador County
Amador City
Ione
Jackson
Plymouth
Sutter Creek

Butte County
Biggs
Gridley
Oroville

Calaveras County
Angels Camp

Colusa County
Colusa
Williams

Del Norte County
Crescent City

El Dorado County
Placerville
South Lake Tahoe

Fresno County
Firebaugh
Fowler
Huron
Mendota
Orange Cove
San Joaquin

Glenn County
Orland
Willows

Jurisdiction

Humboldt County
Arcata
Blue Lake
Eureka
Ferndale
Fortuna
Rio Dell
Trindad

Imperial County
Brawley
Calexico
Calipatria
El Centro
Holtville
Imperial
Westmorland

Inyo County
Bishop

Kern County
Delano
Taft
Wasco

Kings County
Avenal
Corcoran
Hanford
Lemoore

Lake County
Clearlake
Lakeport

Lassen County
Susanville

Jurisdiction

Los Angeles County
Bradbury
Hidden Hills
Industry
Palos Verdes Estates
Vernon

Madera County
Chowchilla

Mariposa County

Mendocino County
Fort Bragg
Point Arena
Ukiah
Willits

Merced County
Atwater
Dos Palos
Gustine
Livingston
Los Banos

Modoc County
Alturas

Mono County
Mammoth Lakes

Monterey County
Carmel
Del Rey Oaks
Gonzales
Greenfield
King City
Marina
Pacific Grove
Sand City
Soledad

Jurisdictions Eligible for State CDBG Program (continued)

Jurisdiction

Napa County
- American Canyon
- Calistoga
- St. Helena
- Yountville

Nevada County
- Grass Valley
- Nevada City
- Truckee

Orange County
- San Clemente
- San Juan Capistrano

Placer County
- Auburn
- Colfax
- Lincoln
- Loomis
- Rocklin

Plumas County
- Portola

Riverside County
- Calimesa
- Coachella
- Indian Wells
- Rancho Mirage

San Benito County
- Hollister
- San Juan Bautista

San Luis Obispo County
- Morro Bay
- Pismo Beach

Jurisdiction

Santa Barbara County
- Buellton
- Carpinteria
- Goleta
- Guadelupe
- Solvang

Santa Cruz County
- Capitola
- Scotts Valley

Shasta County
- Anderson
- Shasta Lake

Sierra County
- Loyalton

Siskiyou County
- Dorris
- Dunsmuir
- Etna
- Fort Jones
- Montague
- Mount Shasta
- Tulelake
- Weed
- Yreka

Solano County
- Benicia
- Dixon
- Rio Vista
- Suisun City

Stanislaus County
- Ceres
- Hughson
- Newman
- Riverbank
- Waterford

Jurisdiction

Sutter County
- Live Oak

Tehama County
- Corning
- Red Bluff
- Tehama

Trinity County

Tulare County
- Dinuba
- Exeter
- Farmerville
- Lindsay
- Woodlake

Tuolumne County
- Sonora

Yolo County
- West Sacramento
- Winters

Yuba County
- Marysville
- Wheatland

APPENDIX 6

APPENDIX 6

STATE-ADMINISTERED HOME PROGRAM

Eligible Jurisdictions
Program Year 2003-2004

(As of March 2003)

Note:

1. All State CDBG eligible jurisdictions are also eligible to apply for all available funds under the State-administered HOME program unless they are members of a HOME consortium. Except for some members of the Santa Barbara HOME Consortium, none of the State CDBG eligible jurisdictions receive HOME funds directly from HUD. See the preceding pages for a list of State CDBG eligible jurisdictions. They are not repeated in this list.
2. Counties whose names are typed in *italics* are HOME participating jurisdictions that are directly funded by HUD and are not eligible for the state's general HOME Program. The cities listed in those counties are eligible for the state's HOME Program.
3. This is not an official eligibility list. HUD makes all final decisions on the eligibility of a jurisdiction to be a "participating jurisdiction" in the HOME program.

HOME Program Eligible Jurisdictions

Alpine County
Alpine County

Amador County
Amador County
City of Amador
Ione
Jackson
Plymouth
Sutter Creek

Butte County
Butte County
Biggs
Gridley
Oroville
Paradise

Calaveras County
Calaveras County
Angels Camp

Colusa County
Colusa County
City of Colusa
Williams

Del Norte County
Del Norte County
Crescent City

El Dorado County
El Dorado County
Placerville
South Lake Tahoe

Fresno County
Firebaugh
Fowler
Huron
Mendota
Orange Cove
San Joaquin

Glenn County
Glenn County
Orland
Willows

Humboldt County
Humboldt County
Arcata
Blue Lake
Eureka
Ferndale
Fortuna
Rio Dell
Trinidad

Imperial County
Imperial County
Brawley
Calexico
Calipatria
El Centro
Holtville
Imperial City
Westmorland

Inyo County
Inyo County
Bishop

Kern County
Delano
Taft
Wasco

Kings County
Kings County
Avenal
Corcoran
Hanford
Lemoore

Lake County
Lake County
Clearlake
Lakeport

Lassen County
Lassen County
Susanville

Los Angeles County
Carson
Gardena
Glendora
Hidden Hills
Industry
Lakewood
Lancaster
Palmdale
Palos Verdes Estates
Pico Rivera
Redondo Beach
Santa Clarita
Vernon
West Covina

Madera County
Madera County
Chowchilla
City of Madera

Mariposa County Mariposa County

Mendocino County
Mendocino County
Fort Bragg
Point Arena
Ukiah
Willits

Merced County
Merced County
Atwater
Dos Palos
Gustine
Livingston
Los Banos

Modoc County
Modoc County
Alturas

HOME Program Eligible Jurisdictions (continued)

Jurisdictions

Mono County
Mono County
Mammoth Lake

Monterey County
Monterey County
Carmel
Del Rey Oaks
Gonzales
Greenfield
King City
Marina
City of Monterey
Pacific Grove
Sand City
Seaside
Soledad

Napa County
Napa County
American Canyon
Calistoga
City of Napa
St. Helena
Yountville

Nevada County
Nevada County
Grass Valley
Nevada City
Truckee

Orange County
Buena Park
Fountain Valley
Irvine
La Habra
Laguna Nigel
Lake Forest
Mission Viejo
Newport Beach
San Clemente
Tustin

Jurisdictions

Placer County
Placer County
Auburn
Colfax
Lincoln
Loomis
Rocklin
Roseville

Plumas County
Plumas County
Portola

Riverside County
Calimesa
Coachella
Corona
Hemet
Indian Wells
Palm Dessert
Palm Springs
Rancho Mirage

San Benito County
San Benito County
Hollister
San Juan Bautista

San Bernardino County
Apple Valley
Chino
Hesperia
Upland

San Luis Obispo County
Morro Bay
Pismo Beach

Santa Barbara County
Buelton
Solvang

Jurisdictions

Santa Clara County
Gilroy
Palo Alto

Santa Cruz County
Santa Cruz County
Capitola
Scotts Valley
Watsonville

Shasta County
Shasta County
Anderson
Redding
Shasta Lake

Sierra County
Sierra County
Loyalton

Siskiyou County
Siskiyou County
Dorris
Dunsmuir
Etna
Fort Jones
Montague
Mt. Shasta
Tulelake
Weed
Yreka

Solano County
Solano County
Benicia
Dixon
Fairfield
Rio Vista
Suisun City
Vacaville

HOME Program Eligible Jurisdictions (continued)

Jurisdictions

Stanislaus County
- Ceres
- Hughson
- Newman
- Riverbank
- Waterford

Sonoma County
- Petaluma

Sutter County
- Sutter County
- Live Oak
- Yuba City

Tehama County
- Tehama County
- Corning
- Red Bluff
- Tehama

Trinity County
- Trinity County

Tulare County
- Tulare County
- Dinuba
- Exeter
- Farmersville
- Lindsay
- Porterville
- Tulare City
- Woodlake

Tuolumne County
- Tuolumne County
- Sonora

Ventura County
- Camarillo
- Simi Valley
- Thousand Oaks

Yolo County
- Yolo County
- West Sacramento
- Woodland
- Winters

Yuba County
- Yuba County
- Marysville
- Wheatland

APPENDIX 7

HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)

Method of Fund Distribution

The Department makes HOME funding available on a competitive basis in accordance with the State regulations, issuing a Notice of Funds Availability (NOFA) for specified recipients to conduct the following activities:

a. New Construction of rental or first-time homebuyer housing;
b. Acquisition of rental or first-time homebuyer units;
c. Rehabilitation of rental or owner-occupied units;
d. Acquisitions with Rehabilitation of first-time homebuyer or rental housing,
e. Tenant-based Rental Assistance (TBRA).

HOME programs are not considered for funding unless the application demonstrates eligibility and the following:

a. The applicant is eligible;
b. The applicant proposes at least one eligible activity (other than administration) and use of HOME funds;
c. The application is complete;
d. The total amount of funds requested varies by activity, or the amount specified in the NOFA;
e. The project is financially feasible; and
f. Project applications demonstrate site control and completion of Phase I environmental and a preliminary title report.

HOME applications for projects will be rated and ranked against project applications and applications for programs will be rated and ranked against program applications. Evaluation criteria are summarized below.

All applications will be evaluated on the following:

a. State objectives (50 points)
b. Rural application (50 points)
c. Housing element compliance (50 points)
d. Applicant giving up a formula allocation (50 points)

Criteria used to evaluate programs and projects follow.

Program Evaluation Criteria

1. Prior performance in implementation of HOME (300 points).

2. Prior experience of the applicant in administering HOME, CDBG or other federal affordable housing or community development programs (50 points).

3. Prior experience (within the last five years) of the applicant's staff members who are part of the administrative team in administering the same activity as is proposed in the application (100 points).

4. Need based on poverty level and overpayment for housing by low-income households and by tenure, vacancy rates by tenure, age of housing stock by tenure, numbers and percentages of substandard housing units, overcrowding of housing by tenure, and percentages of households that are below poverty level and those who are overcrowded and living in substandard housing by tenure, numbers of low-income housing units at-risk of market-rate conversion and those that actually have converted to market-rate, and affordability index developed by the department which compares median sales prices and the median household income in the jurisdiction (450 points).

5. Feasibility of the program, as demonstrated by the extent to which housing that is eligible for HOME Program assistance, the number of units the program will assist (100 points).

6. Readiness as demonstrated by the selection of the fast-track milestone schedule (100 points).

Project Evaluation Criteria

1. Prior performance in implementation of HOME (200 points).

2. Prior experience of the applicant in administering HOME, CDBG or other federal affordable housing or community development programs (50 points).

3. Prior experience during the most recent five-year period of the applicant, developer, owner, and managing partner in developing the same type of subsidized project as is proposed in the application (200 points).

4. Net based on poverty level and overpayment for housing by low-income households and by tenure, vacancy rates by tenure, age of housing stock by tenure, numbers and percentages of substandard housing units, overcrowding of housing by tenure, and percentages of households that are below poverty level and whoa re overcrowded and living in substandard housing by tenure, numbers of low-income housing units at-risk of market-rate conversion an those that actually have converted to market-rate and affordability index developed by the department which compares median sales prices and the median household income in the jurisdiction (450 points).

5. Feasibility of the project as demonstrated by the cost reasonableness and the provision of the greatest number of HOME-assisted units (200 points).

6. Readiness as demonstrated by the project development plan, status of local government approvals, completion of NEPA, and financing commitments (300 points).

APPENDIX 8

HOPWA PROGRAM: SUMMARY OF METHOD FOR DISTRIBUTION OF FUNDS

Non-Competitive Funds: The Office of AIDS (OA) allocates HOPWA funds annually on a non-competitive basis to Fiscal Agents in eligible designated counties throughout the State (see *HOPWA Program Eligible Counties* table). Each Fiscal Agent receives a formula allocation of HOPWA funds annually and typically these funds have been used for emergency rental assistance and supportive services. The OA determines formula allocations based on the number of persons living with AIDS (PLWA) "case index," as reported by the county health departments to the State AIDS Case Registry effective December 31 of the prior year.

Competitive Funds: In addition to the non-competitive formula allocation process, the OA will set aside a percentage of the annual HOPWA grant together with available State general funds and any HOPWA funds available from previous years for the purpose of promoting housing development activities. In previous years, housing development funds were made available by retaining 10 percent of the funds allocated to fiscal agents in those counties containing 100+ reported cases of AIDS. However, the methods will be reevaluated and may allow housing developers within all HOPWA eligible (see Table *Funding for Eligible HOPWA Activities*) regions to apply for HOPWA funds in conjunction with other available local, State and federal funds. A competitive process will be developed to ensure the highest leverage of HOPWA funds to other available funds.

The OA is considering an "Over-the-Counter" (OTC) process for eligible projects or programs located within the HOPWA-eligible counties. An OTC process will allow applications to be accepted and reviewed at any time during period identified in this Request for Application (RFA) or until funds have been exhausted, whichever comes first. The intent of the OTC application process is to maximize the applicant's opportunities to use HOPWA funds as leverage for securing other funding. The applications will be reviewed and rated, and must achieve a specific percentage of the maximum points available to qualify. In the event that funding availability is less than the applications received by the OA at one time, the applications will be ranked. The rating criterion includes, at a minimum, the following categories: applicant capability (threshold requirement); project feasibility; leveraging; need; timeliness; and adequacy of the supportive services plan.

Community Input: The OA values the community input process in determining need for housing and other services at the statewide level as well as the local level. HOPWA funds are allocated locally through a process that includes an annual assessment of need. This process sis typically a part of the overall assessment of HIV needs in a region, and includes input and participation by local serviced agencies, persons infected an affected by HIV/AIDS, other community members, health and housing departments, etc. Fiscal agents, working with local HIV planning groups have been instrumental in providing input regarding the specific needs of persons with HIV/AIDS at the county level.

HIV housing issues are also addressed through the OA's Statewide Coordinated Statement of Needs and the California HIV Services Plan. Both documents have been developed through an inclusive process that included focus groups, teleconferences, research studies, etc. Additionally, the Statewide HIV Planning Group provides community input regarding the utilization of HOPWA Program funding.

Table 5: Funding for Eligible HOPWA Activities

Direct Housing Services	Description of Eligible Activities
Short-term supportive housing	This assistance may provide short-term supportive housing for 60 days during any six month period. The assistance includes: • motel/hotel vouchers • rent in a short-term supportive housing facility
Emergency rent, mortgage, and utility payments	This assistance must prevent homelessness of the tenant or mortgagor of a dwelling. Assistance can include: • payment of utilities • payment of rent • payment of mortgage to prevent homelessness
Rental Assistance	• Project-based rental assistance. (Rental subsidies that are provided to residents of certain units within a specific building. When the residents move, the rental subsidy remains with the unit to be used by the next eligible client.). • Tenant-based rental assistance (Rental subsidies that are provided to the residents to be used in any eligible unit chosen by the client. If the client moves, the renal subsidy remains with the client to be used in another eligible unit.). • Shared housing arrangements (may be used when two or more people are sharing a home).
HIV/AIDS Facility Operating Costs	This activity pertains to all costs associated with the ongoing operations of a housing project that targets PLWA. **This includes licensed and unlicensed HIV/AIDS facilities.** Such costs include: • Security • Furnishings • Operational costs (staff, etc.) • Equipment • Insurance • Utilities • Supplies & Materials • Maintenance
Capital Development Costs	This category includes acquisition of a building or site, new construction, rehabilitation, conversion, lease and repair of facilities to provide housing for persons living with HIV/AIDS. Activities include, but are not limited to, the following: • Land acquisition • Acquisition: single-family units, apartments, duplexes, single room occupancy hotels, condominiums • Rehabilitation: 1) Minor or major repairs of building or unit 2) Conversion of non-residential building to a residential • New Construction: Costs associated with the construction of single room occupancy dwellings and community residences only
Technical Assistance	These costs must pertain to the establishment and operations of a community residence. • Planning costs • Community outreach and educational activities regarding AIDS or related diseases for persons residing in proximity to the proposed residence. • Development of long term planning documents • Development of AIDS housing needs assessment

Resource Identification	• Activities specific to identifying housing resources. Do not include housing referral services. • Assistance in establishing, coordinating and/or developing housing assistance resources for eligible persons. • Hiring staff or consultants to develop housing finance package for a specific housing project • Conducting preliminary research • Determining feasibility of specific housing-related initiatives • Market studies
Housing Information Services	These costs must pertain to the establishment and operations of a community residence. • Housing Consulting • Information Services • Referral services to assist an eligible person to locate, acquire, finance, and/or maintain housing • Fair Housing counseling for people who have encountered discrimination on the basis of race, religion, sex, age, national origin, familial status, or handicap.
Supportive Services **(Funding for Supportive Services may not exceed 25% of the HOPWA contract amount)**	• Health services, mental health services, assessments • Permanent housing placement – includes move-in costs such as security deposit assistance • Drug and alcohol abuse treatment and counseling • Day care • Intensive care when required • Benefits counseling related to health benefits, nutritional services, personal assistance • Food • Transportation • Homemaker services • Case Management
Admin & Delivery Expenses	**Description of Eligible Activities**
Administrative **(7% limitation on allocation)**	• General management of the HOPWA grant • Oversight • Coordination of HOPWA activities • Evaluation • Reporting activities • Audit costs
Activity Delivery Costs (for subcontractors or fiscal agents providing services – not administrative costs)	• Activity Delivery Costs are limited to 10% of the eligible HOPWA service. They must be reasonable and they must be documented expenses. • Activity Delivery Costs for Direct Housing Services may include staff salaries and benefits of staff directly delivering the activity, travel related to delivery of the activity, overhead (postage, office, supplies, prorated office rent, etc.). • Activity Delivery Costs for Other Services Should not include staff salaries and benefits.

HOPWA Performance Plan

Rental Assistance

Approximately one percent of the formula HOPWA funds will be used for tenant-based rental and lease activities. Approximately 4 units will be made available through this activity.

Project-based rental assistance will be provided for a total of 8 housing units. These funds were made available through the competitive HIV Housing Program.

Short Term Rent or Emergency Housing Payments

It is anticipated that approximately 60 percent of the formula allocation will be allocated towards short-term rent, emergency rent, mortgage assistance and utility payments. It is our goal to maintain the number of persons served from the previous year. The Ryan White Care Act funds are also available on an emergency basis for housing assistance. These funds are accessed as payer of last resort.

Units in Facilities Supported with Operating Costs

Approximately 12 percent of the formula allocation will assist in paying operating costs of seven residential facilities. The Residential AIDS Licensed Facilities (RALF) Program, a state-funded operating subsidy program, is available to pay operating costs for licensed residential care facilities. Shelter Plus Care, private donations and fundraising, Ryan White Care Act Funds, HUD 811 subsidy are other resources that may be utilized to pay operating costs as well.

Units in Facilities Developed with Capital Cost that Opened and Served Clients

The HIV Housing Program RFA process will begin during the program year. It is unknown at this time the number of housing units that will be produced through the issuance of this RFA. Other funding sources may include private funds or other federal, State or local funds.

Units in Facilities Being Developed with Capital Costs but Not Yet Opened

The HIV Housing Program RFA will be issued during the program year. It is unknown at this time the number of housing units that will be produced through the issuance of this RFA. Capital costs may be paid through other private, local, State or federal funds as well.

Units in Facilities Developed with Capital Cost that Opened and Served Clients and Not Yet Opened

The HIV Housing Program RFA process will begin during the program year. It is unknown, at this time, the number of housing units that will be produced through the issuance of this RFA. Other funding sources may include private funds or other federal, State or local funds.

HOPWA Administration and Monitoring

It is anticipated that approximately 20 percent of the HOPWA sponsors/contractors will be monitored through site visits. Continuous monitoring and technical assistance will also be provided through telephone communication, quarterly reports, manual updates and management memoranda.

The OA will continue to work toward establishing a working group of various funders included HOPWA, the OA Residential AIDS Licensed Facilities (RALF) Program, HCD, technical assistance and service providers to develop strategies for funding the capital development and operational cots of licensed and unlicensed community residences for PLWH, particularly persons with AIDS dementia and multiply diagnosed persons (e.g., substance abuse and mental illness).

HOPWA PROGRAM ELIGIBLE COUNTIES

Counties of the State of California that do not receive a direct HOPWA allocation from HUD are eligible to apply for HOPWA funding through the Office of AIDS. The 44 counties eligible for Office of AIDS HOPWA funds are listed below.

Amador County	Napa County
Alpine County	Nevada County
Butte County	Plumas County
Calaveras County	San Benito County
Colusa County	San Joaquin County*
Del Norte County	San Luis Obispo County*
Fresno County*	Santa Barbara County*
Glenn County	Santa Cruz County*
Humboldt County	Shasta County
Imperial County	Sierra County
Inyo County	Siskiyou County
Kern County*	Solano County*
Kings County	Sonoma County*
Lake County	Stanislaus County*
Lassen County	Sutter County
Madera County	Tehama County
Mariposa County	Trinity County
Mendocino County	Tulare County
Merced County	Tuolumne County
Modoc County	Ventura County*
Mono County	Yolo County
Monterey County*	Yuba County

* Eleven counties are eligible to receive additional HOPWA funding to develop opportunities for long-term affordable housing for PLWA. These counties are eligible to apply for funding through the Office of AIDS' HOPWA Development Fund. Ten percent of the FY 2002-2003 HOPWA allocation for these eleven counties has been redirected to this fund. HOPWA Development Funds, combined with other State and federal funds, will be made available on a competitive basis through a Request for Applications for HOPWA-eligible projects located in the eleven counties.

APPENDIX 9

State CDBG Programs

Method of Funds Distribution

Attachment 1

General Allocation
Application Evaluation Criteria

The maximum number of points assigned to each of the main categories of criteria as follows weighs the evaluation criteria:

Criteria	Points
Poverty Index	100
Benefit to the Targeted Income Group (TIG)	300
Need for CDBG Assistance	200
Prior CDBG Performance	150
Capacity to Administer the CDBG Program	150
Leverage of Local and Private Resources	50
State Objectives	50
Total	**1,000**

The weighing of the evaluation criteria and their use in a way that compares applications to one another is consistent with the State objectives of funding applications that provide the greatest portion of funds to benefit the TIG, address the most serious community development needs, and demonstrate effective strategies and sound management as follows:

1. Poverty Index (Maximum 100 Points)

   HCD will compare applicant jurisdictions on the basis of the percentage of the population with incomes below the poverty level as provided in the latest decennial census. HCD will assign 100 points to the application serving the area with the highest poverty percentage. The other applicants will be rank ordered based on the extent of their poverty in relation to poverty to the highest poverty level. Applicants who elect to target their local program to fewer census tracts or enumeration districts than there are in their jurisdictions shall receive scores based on either those targeted census subdivisions or all the census subdivisions in the jurisdiction, whichever results in a higher point score. HCD obtains this data from the State Census Data Center.

2. Benefit to TIG (Maximum 300 points)

A formula has been developed to measure the comparative extent of benefit to the TIG of each applicant's program based on documented information provided by the applicant. The formula works as follows:

Activities proposed for funding are allocated points based on the percentage of beneficiaries who earn 80 percent or less of the county's median income, adjusted by household size (TIG).

State regulations specify that applicants receive 0 points for activities achieving a 50 percent TIG benefit. Points are achieved for each percentage of benefit above the minimum 51 percent benefit; for each percentage of benefit above the minimum, the proposal received 7.69 points. For example, an application with a 52 percent benefit would score 7.69 points; an application with 71 percent benefit would score 122 points (71 minus 51, times 7.69). An application with 90 percent benefit would score 300 points.

For applications that propose more than one activity, HCD will weigh each activity according to the requested funding amount. If 50 percent of the program activity funds requested in an application totaling $200,000 are for a housing rehabilitation activity that provides 100 percent benefit to TIG households and the remaining 50 percent of the funds requested is for an activity that provides only 30 percent benefit to the TIG, the point score for this benefit category would be computed as follows:

Activity A - $100,000 provides 100% benefit, and Activity B - $100,000 provides 30% benefit.

The total funds benefiting TIG households are:
$100,000 for Activity A + 30,000 for Activity B = $130,000

The percent of the total program activity funds that benefit the TIG is:
$130,000 divided by $200,000 or 65%.

The point score computation for benefit is:
65% minus 51%, times 7.69 equals 107.6 points.

If as an alternative, a program activity is added to the housing rehabilitation activity that provides 80 percent benefit to the TIG, the point score would increase significantly from 85.6 to 238.7 points. For example:

Activity A - $100,000 provides 100% benefit &
Activity B - $100,000 provides 80% benefit

The total funds benefiting TIG households are:
$100,000 for Activity A + 80,000 for Activity B = $180,000

The percent of the total program activity funds that benefit the TIG is:
$180,000 / $200,000 or 90%.

The point score computation for benefit is: 90% minus 51%, times 7.69 equals 300 points for this category of the rating system.

NOTE: HCD suggests that applicants concentrate their efforts on activities providing substantial benefit to the TIG that also remedy serious, documented problems.

3. Need for CDBG Assistance (200 points)

Points are assigned based on the application's documented relative community need, by type of activity, for the proposed program and the extent to which the proposed activity will address the identified need. HCD will evaluate need based upon which of five activity types is being proposed. The five activity types and criteria to be used are as follows:

a. Housing New Construction: The need for CDBG assistance will be based upon jurisdiction-wide data including incidence of overpayment, incidence of overcrowding, residential vacancy rates, project demand, need based on Council of Government (COG) regional share data and other relevant data.

b. Housing Acquisition: Need will be based upon jurisdiction-wide data including incidence of overpayment, incidence of overcrowding, rental vacancy rate or homeownership rate, and other relevant data.

c. Housing Rehabilitation: Need will be determined by jurisdiction-wide housing stock condition as described in the local general plan's housing element, census data describing overcrowding and age of housing stock within the relevant area, and other relevant data.

d. Public Works: Need will be based upon documented health and safety problems being addressed, as well as the extent to which the proposed project solves the problem.

e. Community Facilities and Public Services: Need will be assessed based upon the severity of the problems being addressed and the extent to which the project meets the need.

4. Prior CDBG Performance (150 points)

HCD will assign scores based upon the timeliness of expenditures of CDBG funds on general allocation grants funded in the previous four years. HCD will also consider any unresolved monitoring findings, unresolved audit findings, timely close-out submittals, and timely reporting (annual GPR, cash requests, and quarterly reports). Jurisdictions without grants in the last four years will receive full performance points.

5. Capacity to Administer the CDBG Program (150 points)

Jurisdictions receiving general allocation grants in any of the previous four years will receive full capacity points. Lacking that experience, applicants will be evaluated upon submitted tasks, duty statements, and resumes of local staff. Jurisdictions lacking local staff capacity may demonstrate capacity by including a letter of interest from a professional contracted consultant.

HCD will look at the applicant's readiness to proceed with a project or a program as an integral part of the applicant's capacity. The more ready a project or program is, the more points that may be awarded.

6. Other Funding (50 points)

HCD will assign a score based upon a comparison, among applications of private funding committed to the proposed project. HCD will compare like activities against one another in deriving a score. For example, housing new construction projects will be compared against one another for private leveraging scoring.
HCD will also compare applicants on the extent to which they bring local resources to bear on the proposed project. Cash and in-kind contributions will be compared based upon similarity in sales

and use tax revenue bases. In this way, more affluent jurisdictions will not compete directly with more revenue-impacted communities on this scoring criterion. Applicants will also be compared against one another based upon the provision of any regulatory relief in conjunction with the proposed project.

Other State and federal funding brought into the project will not garner a competitive advantage.

7. State Objectives (50 points)

The State objectives in 2003-2004 funding will be evaluated after the 2003-2004 funding cycle. Current year State objectives are as follows:

a. **Infrastructure Proposals** -- Up to 25 points awarded for public works and new construction projects providing public infrastructure in support of housing.
b. **Worst Case Housing Needs --** Up to 25 points will be awarded proposals that facilitate the construction, acquisition or rehabilitation of permanent housing projects that meet all of the following requirements: 1) must be rental housing; 2) must target at least 25 percent of the program beneficiaries to be LTIG households who do not receive Federal housing assistance, and 3) the targeted beneficiaries' rent and utility costs must be reduced to below 50 percent of their gross incomes, or they must have been living in severely substandard housing. For the purposes of this State Objective, permanent means that residents' tenure in the housing will not be limited to a certain time period.
c. **Farmworker Housing/Health Services** -- Up to 25 points for proposals which facilitate the construction of permanent housing for farmworkers or proposals which facilitate the provision of health services in combinations with migrant or permanent farmworker housing.
d. **Capacity Building –** 25 points for jurisdictions that applied in the previous year and were not funded or 35 points to applicants who applied at least two times in the last four years and who were not funded in the General Allocation in the last four years.

For the 2003-2004 funding year State objectives, HCD will look at the applications received and funded in 2001/2002 to evaluate the effectiveness of the State objectives.

Attachment 2

Native American Allocation
Application Evaluation Criteria

One and one-quarter percent (1.25%) of the total State CDBG allocation has been allocated for the benefit of Native American Indians not recognized as Indian tribes under the federal Housing and Community Development Act of 1974, as amended (the Act). Eligible jurisdictions may apply for all or part of the allocation for any one or a combination of the eligible activities.

The funding cycle, time frames, and evaluation criteria for submitting applications and HCD's review are the same as for the General Allocation. However, the Native American Allocation does have some unique characteristics regarding the eligibility of geographic areas.

a. Eligibility

Allocated funds may only be used in identifiable geographic areas: (1) comprised of at least 51 percent Native American Indians not recognized as Indian tribes under the Act, and (2) located within a city or county eligible to apply for State CDBG funding. For the purposes of this Program, identifiable geographic areas are defined by locally accepted social, historical, physical, political, or past programmatic boundaries. A terminated rancheria on which at least 51 percent Native American Indians continue to reside is one example of an eligible area.

Although applications for funding from the Native American Allocation may not be submitted for federally recognized rancherias and tribes, State CDBG eligible cities and counties are encouraged to include federally recognized rancherias and tribes with community development needs in their applications for General and Economic Development Allocation funds or Planning/Technical Assistance Grant Allocation funds.

In addition to providing assistance to an area that has at least 51 percent Native American Indians, the applicant must ensure that at least 51 percent benefit is provided to TIG persons.

The following terminated rancherias are eligible for the Native American Allocation:

Inyo County:	Indian Ranch	Nevada County:	Nevada City
Placer County:	Colfax	Plumas County:	Taylorsville
Siskiyou County:	Ruffeys	Tulare County:	Strathmore
Yolo County:	Cache Creek	Yuba County:	Strawberry Valley

The following areas have never been federally recognized but are areas primarily occupied by Native Americans and are eligible for the Native American Allocation:

Antelope Valley Paiute Tribe	Antelope Valley Indian Community
Big Meadows Lodge Tribe	Calaveras County Band of Miwok
Carmel Mission Band	Chuckchansi Tribe
Coastal Band of Chumash Indians	Dunlap Band of Mono Indians
Hayfork Band of Nor-Rel-Muk Wintu Indians	Honey Lake Maidu (AKA Wadatkuta) (Lassen County)
Independence 14 (Miranda Allotment) (Kern Co)	Indian Canyon Costanoan Tribe
Konkow Valley Band of Maidu (Butte)	Maidu Nation
Mono Lake Indian Community	North Fork Band of Mono Indians
Northern Maidu Tribe	Northern Paiute Tribe of Honey Lake (Lassen)
Plumas County Indians, Inc.	Salinan Nation (Monterey County)
Shasta Nation	South Fork Hupa
Southern Sierra Miwuk Nation	Colfax Todds Valley Consolidated Tribes
Tolowa Nation	Toyon Wintu Center (Shasta County)
United Maidu Nation	Winnemem Band of Wintun
Wintu Indians of Central Valley	Wintu Tribe of Northern California (Shasta County)
Wukchamni Tribe	Yokayo Tribe

Cities and counties are encouraged to apply to the Native American Allocation on behalf of the residents of areas primarily occupied by Native Americans. Should any jurisdiction have any questions regarding the eligibility of a particular area, it should contact the State CDBG office for assistance early in the application process.

b. Application Process

It is important that meetings be initiated as early as possible between the appropriate city and/or county officials and the representatives of the Native American community to assess interest and to determine the most serious needs.

Any application prepared for the Native American Allocation may be in addition to the eligible city or county's application for other State CDBG funds. The rating and ranking of an application for the Native American Allocation funds is separate from any other application submitted by the applicant for State CDBG funds. The application will be evaluated against other applications submitted for the Native American Allocation and must be in the form outlined in Section 7070 of the State CDBG regulations. If an insufficient number of acceptable applications are received, unused funds will be awarded to the highest ranked unfunded applications submitted under the General Allocation. Cities and counties are encouraged to use the State CDBG Program to improve Native American Indian communities within their jurisdictions. As discussed above, in many instances this will require identifying concentrations of non-federally recognized Native American Indians in each jurisdiction.

c. Program Design

HCD utilizes the same application evaluation criteria when reviewing applications for the Native American Allocation as is used when rating applications for the General Allocation; therefore, the elements for a successful program are the same as those for the General Allocation. When preparing the application, refer to the General Allocation section of this chapter for further guidance concerning program design.

d. Evaluation Criteria

Each application will be rated based on how well it addresses identified housing, public facilities, economic development, or other needs. Refer to the General Allocation section of this chapter for further guidance concerning evaluation criteria.

Attachment 3

Planning and Technical Assistance Allocation
Application Evaluation Criteria

APPLICATION EVALUATION CRITERIA

Applications will be reviewed based on the following criteria. Those applications not meeting the minimum threshold will not be considered for funding. In the event an application does not meet the minimum threshold criteria, the applicant will be notified in writing of this determination.

Threshold Criteria

1. For General Allocation Planning and Technical Assistance (P/TA) activities, the funding request must be for eligible activities and must comply with Health and Safety Code 50827, which requires that all funds must principally benefit low- and moderate-income persons. For Economic Development P/TA applications, the request must be for eligible activities and must meet either of the following two national objectives as described in Health and Safety Code 50832: benefiting low- and moderate-income persons; or preventing or eliminating slums and blight.

2. The proposed activity must be CDBG-eligible. Applicants are encouraged to contact their community development representative prior to submitting the application to confirm the eligibility of proposed activities.

3. The applicant must document the amount of cash match contribution in a certified Resolution adopted by the governing body of the eligible jurisdiction.

4. All required forms must be complete.

5. If funds are being requested to provide assistance to an identified business, the activity is considered to be technical assistance and the applicant must include in the application a letter from the benefiting business in which the business makes a conditional commitment to proceed with its plans to relocate, expand, pursue a loan etc., if the technical assistance document shows that the action appears feasible. The letter also must include an explanation of why the identified business is unable to pay for the cost of the CDBG funded technical assistance proposed in the application. HCD will review the letter provided by the business to determine that the proposed assistance is necessary and that it is appropriate.

Attachment 4

Economic Development Allocation
California Community Economic Enterprise Fund Component
Application Evaluation Criteria

Evaluation Criteria

HCD uses a 100-point scoring system for scoring California Economic Enterprise Fund (Enterprise Fund) applications in accordance with Section 7062.1 of State regulations. The scoring factors will be weighted as follows:

Need for Program (30 Points)

a. Poverty Index (Maximum 15 Points)

HCD is considering revising this factor so that applicant jurisdictions are compared both on the basis of the percentage of the population with incomes below the poverty level as well as the actual numbers of persons in poverty, as provided in the latest decennial census. Currently, HCD assigns 15 points to the application serving the area with the highest poverty percentage. The other applicants are rank-ordered based on the extent of their poverty in relation to poverty to the highest poverty level. The same method of ranking would apply except that the points would be divided between the two measurements. Applicants who elect to target their local program to fewer census tracts or enumeration districts than there are in their jurisdictions could still receive scores based on either those targeted census subdivisions or all the census subdivisions in the jurisdiction, whichever results in a higher point score. HCD obtains this data from the State Census Data Center.

b. Relative Unemployment Rate (Maximum 10 Points)

This factor will compare applicant jurisdictions unemployment statistics and assign points relative to the highest rate within the applicant pool.

c. Adverse Economic Event (Maximum 5 Points)

HCD will evaluate third source documentation of any adverse economic events that have occurred in the past 24 months causing sudden and severe economic dislocation or distress. Those applicant jurisdictions experiencing such an event will receive some or all of the available points under this factor.

Local Program Capacity (50 Points)

a. Performance on Past CDBG Economic Development Grants (20 Points)

HCD will evaluate performance on past ED grants including rate of expenditure of funds, timeliness of reporting, compliance with CDBG eligibility, national objective and overlay requirements, and resolving monitoring and audit findings.

b. Relative Strength of Basic Program Design (10 Points)

HCD will comparatively evaluate the thoroughness and effectiveness of proposed program design and program guidelines, and will assign points relative to the strongest applicant design and guidelines.

c. Relative Experience of Program Operators (10 Points)

HCD will comparatively evaluate and score applicants' experience with CDBG and other relevant activities.

d. Other Local Organizational Support (10 Points)

Applications demonstrating interest or commitments from qualified, experienced operators and other local resources will receive a competitive advantage in this scoring category.

Program Effectiveness (20 Points)

a. Commitment of Other (non-state, non-federal) Funding Sources (10 Points)

Amount and level of commitment of other private and local funding sources will be competitively evaluated and scored under this factor.

b. Extent to Which Program Complements Local or Regional Economic Development Plan (10 Points)

HCD will evaluate the extent to which the proposed activity builds upon a local economic development plan that brings various local resources to bear on the success of the program.

Attachment 5

Economic Development Allocation
Over-the-Counter (OTC) Component
Application Evaluation Criteria

<u>Introduction and Overview</u>

For the Over-the-Counter program, the review factors consist of: the public benefit standards and underwriting guidelines specified at 24CFR Section 570.482(F) and at Appendix A to 24CFR Part 570, plus state criteria that further evaluate project feasibility and project conformity to State objectives.

Applications for the Economic Development Allocation OTC funding component are reviewed for completeness. Complete applications are evaluated using the following criteria:

a. Percent of county-wide unemployment relative to the statewide and national averages. A maximum of twenty-five points.
b. Ratio of CDBG funds per job. A maximum of fifteen points.
c. Ratio of private funds to CDBG funds. A maximum of fifteen points.
d. Quality of applicant's past performance for CDBG ED contracts. A maximum of 15 pts.
e. Percent of funds allocated to applicant's general administrative costs. A maximum of 10 pts

Applications, which have received 50 or more points under the above criteria, are reviewed for funding under the federal CDBG public benefit and underwriting guidelines, plus the following factors:

a. The extent of the applicant's need for CDBG funds, given the local economic development need;
b. market feasibility of the proposed activities,
c. the feasibility of the proposed activities, under local and other regulatory requirements;
d. the financial feasibility of the proposed activities,
e. the capacity of the applicant and its borrower, subcontractors or subrecipients to manage the proposed activities,
f. the appropriateness of the terms proposed by the applicant,
g. the ownership or control of any real estate needed for the proposed activities,
h. the extent to which the proposed activities involve intrastate relocation of jobs or business, and,
i. the extent of recruitment, training and promotional opportunities for targeted income groups.

Attachment 6

Colonias Allocation
Application Evaluation Criteria

Applications will be reviewed based on the following criteria. Those applications not meeting the minimum threshold will not be considered for funding. In the event an application does not meet the minimum threshold criteria, the applicant will be notified in writing of this determination. In the event funds requested exceed the funds available, applications will be evaluated using the scoring factors contained in Section 7078. HCD will then fund down the ranked list of applicants to the extent that it has funds available within the Colonias setaside.

Threshold Criteria

1. The funding request must be for eligible activities and comply with Health and Safety Code 50827, which requires that all funds used through the State's program must principally benefit TIG persons.

2. The proposed activity must be CDBG-eligible as well as designed to serve a Colonia under the provisions of Section 916 of the National Affordable Housing Act of 1990. Applicants are encouraged to contact their community development representative prior to submitting the application to confirm the eligibility of proposed activities.

3. Each application must be postmarked on or before the application due date. Any application postmarked after the due date will be returned to the jurisdiction without review or comment.

4. All required forms must be complete.

APPENDIX 10

Attachment 1

Methods of Funds Distribution

ESG funds are available on a competitive basis through a Request for Proposal (RFP) to applicants providing services in eligible cities or counties which are the non-entitlement areas of California.

Eligible Activities:

1. Essential Services: Activities may include, but are not limited to, services associated with employment, health, drug abuse, education, obtaining permanent housing, medical and psychological counseling, nutritional needs and staff salaries necessary to provide these services.

2. Operations: The costs of operating and maintaining an emergency shelter or transitional housing such as rent, repairs, utilities, furnishings, insurance, equipment, and fuel.

3. Homeless Prevention: Activities may include: 1) short term subsidies to help defray rent and utility amounts in arrears for tenants that have received eviction or utility termination notices; 2) security deposits and first and or last months rent; and 3) legal services programs for the representation of indigent tenants in eviction proceedings.

4. Supervisory Shelter Administration: Pay for salary and benefit costs for supervision of all direct shelter operation staff.

5. Grant Administration: A maximum of 4 percent of the FY 2003 ESG allocation will be used for administering the program at the State level. Grantees of ESG funds may use 1 percent of its total grant amount to cover the cost of administering the program. Eligible grant administrative expenses are only those necessary to administer the grant, not to administer or operate the shelter. Specific grant administrative expenses include the staff costs or contract staff costs to prepare ESG reports, communicate with ESG staff, and to pay for the ESG share of the required audit.

6. Renovation/Major Rehabilitation/Conversion: Renovation is rehabilitation that involves costs of 75 percent or less of the value of the building before rehabilitation. Major rehabilitation involves costs of more than 75 percent of a building's value before rehabilitation. The value of the building does not include the value of the land. Conversion is a change in the use of a building to an emergency shelter, where the cost of conversion and any rehabilitation exceed 75 percent of the value of the building after conversion. If such costs do not exceed 75 percent of the value of the building before rehabilitation, they are to be considered renovation.

Evaluation Criteria and Point Scores

Evaluation Criteria	Points
Ability to complete proposal in compliance with program requirements in 24 months	250
Experience	200
Previous performance in the FESG Program	50
Complementary support services	200
Cost effectiveness	200
Innovation	100
Maximum Score	1,000

The evaluation criteria, and examples of factors considered are as follows:

1. Ability to complete proposal in compliance with program requirements within 24 months – 250 points

   - Status of local government approval
   - Availability of funding for proposed activities
   - The proposed activities are within the program requirements

2. Experience – 200 points

   - The number of years experience of the staff
   - The number of years the organization has been providing housing and services
   - Organization's experience in operating an existing or similar program
   - Organization's experience with FESG or other federal housing programs

3. Previous Performance in the FESG Program – 50 points

   - Results of monitoring
   - Timeliness of required reports
   - New applicants will receive full credit for past performance

4. Complementary Support Services – 200 points

   - The type and accessibility of support staff services provided both on- and off-site
   - The level of coordination with other organizations to provide homeless services

5. Cost Effectiveness – 200 points

   - Need for funds considering current funding availability
   - Specific consequences to the program if the FESG grant is not provided
   - Community participation in the Continuum of Care of other homeless plan
   - The community's need for the program as identified in a Continuum of Care or other homeless plan
   - The overall cost efficiency of the program ranked by type of program

6. Innovation – 100 points

   - Program clients consisting of difficult populations, (e.g., projects/programs which primarily serve populations such as the mentally ill, substance abusers, dually diagnosed, and persons with AIDS)
   - Innovative involvement of volunteers
   - Other innovative factors

   The ESG Program is currently developing State regulations including rating and ranking criteria. The new regulations will not be approved before the 2003 funding round.

Attachment 2

ESG ELIGIBLE GRANTEES

ESG PROGRAM ELIGIBLE COUNTIES

Shelter and program eligibility is based on the physical location of the shelter or operational base of the program, not on the clients served or location of the grantee's office. All counties listed on this page are eligible to apply for State FESG funds, including the cities and nonprofit shelters within these counties, except where noted.

Amador County*	Mono County
Alpine County	Monterey County**
Amador County	Napa County
Butte County	Nevada County
Calaveras County	Placer County
Colusa County	Plumas County
Del Norte County	San Benito County
El Dorado County	Santa Barbara County
Glenn County	Santa Cruz County
Humboldt County	Shasta County
Imperial County	Sierra County
Inyo County	Siskiyou County
Kings County	Solano County
Lake County	Stanislaus County***
Lassen County	Sutter County
Madera County	Tehama County
Marin County	Trinity County
Mariposa County	Tulare County
Mendocino County	Tuolumne County
Merced County	Yolo County
Modoc County	Yuba County

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*all cities eligible to apply except for Berkeley and Oakland
**all cities eligible to apply except Salinas
***all cities except Modesto

ESG ELIGIBLE CITIES LOCATED IN NON ELIGIBLE COUNTIES

Shelters and programs in ineligible counties are eligible ONLY if they are physically located in the city limits of one of the following incorporated cities. Shelters/Programs located in other cities in these counties are not eligible. Shelters/Programs locate din the unincorporated areas of these counties are not eligible.

CONTRA COSTA
Antioch
Concord
Pittsburg
Richmond
Walnut Creek

FRESNO
Fowler
Huron
Mendota
San Joaquin

KERN
Taft
Maricopa
Ridgecrest
Wasco

LOS ANGELES
Alhambra
Avalon
Baldwin Park
Bellflower
Burbank
Carson
Cerritos
Downey
Gardena
Glendora
Hawthorne
Hidden Hills
Industry
Lakewood
Lancaster
Lynwood
Montebello
Monterey Park
Norwalk
Palmdale
Palos Verdes Estates
Paramount City
Pico Rivera
Redondo Beach
Rosemead
Santa Monica
Santa Clarita
Torrance
West Covina
Whittier
Vernon

ORANGE
Buena Park
Costa Mesa
Fountain Valley
Fullerton
Huntington Beach
Irvine
La Habra
Laguna Niguel
Lake Forest
Mission Viejo
Newport Beach
Orange City
San Juan Capistrano
Tustin
Westminster
Yorba Linda

RIVERSIDE
Canyon Lake
Coachella
Corona
Hemet
Indian Wells
Moreno Valley
Palm Springs
Rancho Mirage

SAN BERNARDINO
Apple Valley
Chino
Fontana
Hesperia
Rancho Cucamonga
Redlands
Rialto
Upland
Victorville

SAN LUIS OBISPO
Arroyo Grande
Morro Bay

SAN MATEO
Atherton
Daly City
Redwood City
San Mateo city
So. San Francisco

SANTA CLARA
Milpitas
Mountain View
Palo Alto
Santa Clara city
Sunnyvale
Gilroy

SAN DIEGO
Carlsbad
Chula Vista
El Cajon
Encintas
Escondido
La Mesa
National City
Oceanside
Santee
Vista

SONOMA
Petaluma
Santa Rosa

VENTURA
Camarillo
San Buenaventura
Simi Valley
Thousand Oaks

SACRAMENTO
Citrus Heights
Elk Grove

APPENDIX 11

Funds Available Calendar

Access calendar via the Department's website at:

http://www.hcd.ca.gov/ca/#fac

APPENDIX 12

PUBLIC NOTICES